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GENERAL FARM BILL OF 1985

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

MARCH 5, 1985
MARCH 20, 1985
SECRETARY OF AGRICULTURE
MARCH 21, 1985
APRIL 24, 1985
H.R. 1912, AGRICULTURAL EFFICIENCY AND EQUITY ACT OF 1985
MAY 17, 1985, SYRACUSE, NY
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GENERAL FARM BILL OF 1985

TUESDAY, MARCH 5, 1985

House of Representatives,
Committee on Agriculture,
Washington, DC.

The committee met, pursuant to notice, at 9 a.m., in room 2237, Rayburn House Office Building, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Present: Representatives Jones of Tennessee, Rose, Weaver, Bedell, Huckaby, Glickman, Whitley, Daschle, Stenholm, Volkmer, Tallon, Thomas, Olin, Penny, Stallings, Bruce, Madigan, Coleman, Hopkins, Stangeland, Roberts, Morrison, Gunderson, Evans of Iowa, Chappie, Franklin, Lewis, Smith, Combest, and Schuette.

Also present: Representatives Bereuter and Smith of Nebraska.

Staff present: Cristobal P. Aldrete, special counsel; Charles Hilty, minority staff director; William E. O'Conner, Jr., assistant minority staff director; Glenda L. Temple and Irene Buentello, clerks; Bernard Brenner, James Davis, Parks Shackelford, Stephen T. Adams, James C. Tippett, and Lynn Gallagher.

OPENING STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The Chairman. The committee will be in order.

Last week, when we began receiving inquiries as to whether visiting farmers would be able to meet with me or with members of the committee, I personally ran out of time as to how many delegations or individuals I could visit with. Most members of the committee had the same experience so we decided that if it was important enough for you to come to Washington, it should be important enough for us, as a committee, to receive you and to hear from you. We devised a forum that I hope will be in accord with your wishes. We will hold a session from now until 4 o'clock this afternoon for anyone who wishes to speak to the committee, and hopefully the statements will take 5 minutes or less in order to accommodate more witnesses. We're going to share presiding throughout the day, and have prepared a schedule since some of us, including myself, will have to be on the floor when we discuss the credit legislation shortly after noon.

At 10 this morning I have to go to the Accounts Subcommittee to discuss the budget to run the committee. This afternoon we'll have to have as many members as possible on the floor to help pass the credit legislation.

I might explain the parliamentary procedure. We passed a bill in the House that we thought was a fairly good bill. The Senate passed a bill the same day that we don't think is as good as the one we passed, but we find ourselves in a parliamentary situation where our bill went to the Senate when their bill came to us.

Now, we can do two things. We can convene a conference committee with the Senate on both bills to work out the differences. This could take 1, 2, or 3 days or there might be a deadlocked conference.

In working with the leadership—Tip O'Neill, Jim Wright, Tom Foley—and the consensus in our committee, we decided it was too risky and the matter too important for us to delay. So the decision was made to take the Senate bill and approve the Senate language and send it directly to the President to sign or not to sign, as he sees fit. That scenario would save about a week and not taken the risk of losing in a deadlocked conference. That is what will be happening today.

We have to go to the Rules Committee to get a rule to enable us to consider the Senate version today. I will make a motion to agree with the Senate version so it doesn't have to go back to the Senate or go to conference, but rather the measure will go directly to the President. If the President should sign it, we would have saved at least a week or 10 days—critical time if we're going to help anyone.

If he doesn't sign it, where do we go from there? We don't know. If the President should not sign the legislation, we have to restructure the legislation to include language that he might sign. I do hope that he signs it, but we don't know where we are.

Meanwhile, we'll be happy to hear from you on the general overall situation of the farm economy and policy decisions as to what type of farm legislation we will work with in the coming weeks, that is what type of farm bill? Should we continue the same program? Should we change it? What shall we do?

Always, one word of caution to you. We have to deal with the art of the possible, and write a bill that can get 218 votes. I know some of you are frustrated and we are, too. I know some of you get upset and wonder why we don't move as quickly or as intelligently as you would like. We were called a bunch of incompetents by the Governor of South Dakota recently because, he said, we couldn't balance our budget, and that the State of South Dakota has a balanced budget. If we were to take revenue sharing and all of the money that comes from Washington away, I challenge the Governor of South Dakota to have a balanced budget. But, calling each other incompetents and so on isn't going to help.

What I wanted to tell you is that we're trying, and our committee is trying. We have worked on this legislation on both sides of the aisle—Democrat and Republican. The problems of our farmers and the problems of rural America are not partisan problems. We have worked together. We worked for what we hope is the betterment of the situation in rural America. When Senator Kerr from Oklahoma was elected to the U.S. Senate, he met with his buddies at the Petroleum Club in Tulsa and he told them everything he was going to do when he got to the Nation's Capital.

Well, the first time he went back to Tulsa, about 90 days later, he went to the Petroleum Club and sat down with his buddies, and they said, "Hey, you haven't done a thing! You haven't done anything you told us you were going to do! We haven't seen your name in the paper. You haven't been on the television. You haven't done a thing, and you were talking so big when you left here."

He replied, "Friends, I have learned one thing since I've been in Washington. It's a lot easier to solve the problems of the world at the Petroleum Club over a nice bourbon and water than it is in the Congress of the United States."

And, I would like to remind you that it's a lot easier to solve problems back at the coffee shop or when you get together with the fellows. When you try to move farm legislation here you will find it's not the easiest thing in the world. We're going to do it because we're going to do it together with your help and God's help. We're going to work together to do the best we can.

Do any of the other members have comments?

OPFNING STATEMENT OF HON. EDWARD R. MADIGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. MADIGAN. Mr. Chairman, I don't see you wearing a cap this morning. I see a lot of caps in the room, but nobody's given you a cap yet.

The CHAIRMAN. I didn't bring mine.

We have an Agriculture Committee cap. Yours doesn't fit?

Mr. MADIGAN. That's right. [Laughter.]

We have 42 caps that fit the Chairman. [Laughter.]

Mr. Chairman, thank you for arranging this room and this opportunity for so many of our friends from across the country to come in and visit with us on this problem that is most serious to them and most serious for us.

I was interested, Mr. Chairman, in your comments about the Governor of South Dakota and his criticism of us for not being able to balance our budget. I watched the reports of the National Governors Conference and if there was one theme consistent in what the Governors were saying, they were saying that the Federal Government should balance the budget, the Federal Government should eliminate the deficit, but the Federal Government absolutely should not cut out any of the billions and billions and billions of dollars in aid that flows to the States. And that's sort of the situation that we're in. The Governor of South Dakota criticizes us for not being able to reduce our deficit, and then he asks us to support programs that would cost billions of dollars more on top of the deficit.

And that's a little bit of the problem that we have this morning.

I was also interested, Mr. Chairman, in your comments about the President and his credit bill. He's certainly been concerned about this. He was concerned back in October—you may recall that last October he said that he would make available a special pot of money, some $650 million, available for special types of loan guarantees for farmers and ranchers in the United States. And from October to the present, only $25 million of that $650 million has been picked up. So it's been a little bit hard to convince the President that there's a problem out there when $625 million of the $650 million has not been claimed by anyone. Nobody has come forth and asked to be able to get any of those loan guarantees.

But we're still trying to prevail upon the President to understand that there is a problem out there. However, the procedure on this credit bill is one that is certainly limiting our opportunities because we know that the Senate bill will not be approved by the President; he's made it very clear to me and to others that he will veto it. And if that is the only vehicle that we have being sent down to him, our office—the Congressional Budget Office—says that the fiscal implications, ladies and gentlemen, of that bill for this year that we're still in—this fiscal year that we're still in, not next fiscal year—but the implications of that bill for the balance of this year are $4.5 billion. Now, that's not Mr. Stockman saying that; that's not Mr. Block saying that; that's not the President saying that. That's the Congressional Budget Office saying that that bill would cost an additional $4.5 billion.

Ladies and gentlemen, 2 weeks ago I had a group of farmers call on me and place on my desk sacks full of postcards. And all of these postcards were signed by people out in my State saying, "Dear Mr. Madigan: Do something about this deficit. Reduce this deficit." And then yesterday those same people were back in saying, "We have to have this bill for this extra $4.5 billion." Well, we can't do both things. We can't have it both ways. That's the problem that the Congress is confronting.

As the chairman suggests, maybe we could do that over in the Petroleum Club, but we can't do it here in the Halls of Congress. We can't give it to you both ways. And if you want something extra in the way of some kind of credit arrangement, we have to have some flexibility here; we have to have some room in which to work, ladies and gentlemen, and we don't have that by the procedure that is going to be followed today where all we get to do in the House of Representatives is vote up or down on a Senate bill that the President has told me he's going to veto.

There is another procedure available, and that would be to go to the conference with the Senate and try to work this thing out and try to get something that the President could sign. And while that option is still available to us before this activity is scheduled on the floor this afternoon, I hope that my distinguished Chairman and others will consider giving us that option of going to conference to see if we can't work this out and get something that the President can sign, because many of us really want to help you. We don't want to simply vote against this bill that we know the President is going to veto.

And I thank you, Mr. Chairman, for recognizing me this morning.

The CHAIRMAN. Thank you very much, and we'll hear from the witnesses now.

My list shows Mr. Beyer first.

STATEMENT OF CHARLES F. BEYER, PADUCAH, KY

Mr. BEYER. Mr. Chairman, Mr. Madigan, we certainly appreciate the opportunity to speak here.

I think you'll find, as these meetings unfold, that there is a diversity of agriculture here, but we're all here for a common cause, and that's to get agriculture on a par with any other type of business. I hope you can bear with me a few minutes, and I'll try to cover about 15 years here in about 5 minutes.

Several of us represent the Jackson Purchase Area of Western Kentucky. This area is situated near the confluence of the Ohio and Tennessee Rivers; it's the old stomping ground of Mark Twain, Tom Sawyer, and Carl Hubbell. Our climate is moderated by the rivers. Our soil conditions are characteristic of all three States—Missouri, Illinois, and Kentucky. We have a diversity of agriculture in this area, according to those crops adapted to the soil, the site, and the location.

To back up with the decade of the late 1960's and 1970's, we saw land formerly devoted to the soil bank under the Eisenhower administration come under intensive cultivation. We saw the change from many people driving small tractors to a few people driving larger tractors. The Government responded, as a humanitarian government, to a world-wide food shortage as documented in several accounts, of which—this is on the spur-of-the-moment thing and I don't have those with me, but it's certainly a matter of record.

My business was not concerned with grain farming. It's a domestic business, a very simple business of fruit production, but we did see those changes occurring around us.

This farm that I live on, it was started by my mother and father in 1925. It's a 90-acre farm. To prepare myself to do that I acquired an education at the University of Kentucky and went the route of serving in the military and getting a new wife, took a job that took both of us to northern cities—to Detroit, Indianapolis, and New York—and gave us a chance to see the other end of the production and marketing and distribution of the fruit and vegetable business.

When we decided we liked the Purchase Area of Kentucky a little better and wanted to raise our family there, we moved back to that area. We were both schoolteachers. We taught school; we were able to buy our family farm there with that to help us, that little salary.

Going back to what I would like to stress and get across is that whether it's my feel of agriculture or somebody else's, it's been a working relationship that started a long time ago with our Federal land grant colleges and institutions. We have those people working at the community level, the rural level, the research level, and across the board, even with industry, to better farming and to better the whole U.S. people. That's been a system that's worked. We have invented things in America. We've invented the steel plow, the reaper, the assembly line, and we've become an industry. And we are a business.

But we've done it in a different manner than just on a financial risk and dollar basis. We've done it on an institutional basis, and we've had a U.S. Government that has listened to what we've been trying to do.

Is that it, the time?

Mr. **Madigan**. You've got until the red light goes on.

The **Chairman**. Until the red light goes on. Talk fast; you've got about a minute.

Mr. **Beyer**. All right, sir. Well, I can't do it all in a minute; I'll have to do it——

The **Chairman**. Just do your best. If you go over a little, we're not going to cut you off.

Mr. **Beyer**. I'll just say that we would like to—we're looking at a machine that has broken down over a period of years, this agricultural machine. We've not maintained it; we've not had maintenance. We're looking at a thing right now of collapse of the whole thing, and we've got to repair the whole thing. And we're looking at improvements in our lending institutions, and we'd like to say that this is a little more than a budgetary item. It's something that's developed here over a couple hundred years, and it started off in a different means, where we were a part of the system. And we're not a part of that system; it's stopped working, and I think that's probably enough said, that the rest of us are not going to work.

The **Chairman**. Thank you.

Mr. Mooring.

STATEMENT OF WILLIAM MOORING, CLARENDON, TX

Mr. **Mooring**. Mr. Chairman and Congressman, I'm from Clarendon, TX, which is in the Texas High Plains. We're in the northern part of the Texas High Plains, which produces roughly 25 to 30 percent of the cotton in the United States.

We have irrigation in the High Plains and dry land farming. In my county, it's mainly dry land farming. Roughly, it costs $84 an acre to produce cotton on an acre of dry land cotton; some farmers might produce it for a little less, but mostly it would be a little higher than that.

These are costs of shredding stalks, chiseling, incorporating, bedding, rod weeding, planting, cultivating the crop, and harvesting the cotton, and I did not include the custom harvesting expense.

In 1984 the average price of cotton was 63.4 cents, which was the second highest price in the history of the United States for cotton—in 1980, the price of cotton was 68.5 cents.

The loan base for our cotton is 55 cents. In Donley County, after grade deductions, our cotton went in the loan at 37 to 39 cents. We were offered 2 to 3 cents above the loan for our cotton. We received roughly 40 to 41 cents a pound for our cotton.

I took an example of a farmer farming 1,000 acres, I would fall into that category—just a middle-sized, small farmer. He rents this 1,000 acres; he receives income on 750 acres. He produces, on an average yield in Donley County, ½ bale per acre—2 out of 5 years, you can produce that; a couple, you're not, and one you're going to produce more than that.

From 375 bales of cotton at 40 cents a pound, and a ½ a bale to the acre, on the 750 acres he receives $75,000. The cost to produce this cotton is $84,000. He has a negative operating income just from operating costs alone of $9,000. For his family living expenses, utilities, house, insurance, and cost of living, I took roughly $15,000. He has a total net loss before any payment of equipment or land of $24,000.

The administration has said that by getting rid of this loan rate, we're going to have a better structure to sell our cotton and to increase the prices. From 1977 to 1980, the farmer did not receive any Government payments. You were able to plant so much cotton on so many acres, on allotments. His or her income was totally the price he received for his cotton. Here are the average prices per pound of cotton produced in the United States from 1977 to 1980: In 1977—during this time the average price of cotton was 49.7 cents per pound. In 1978, 53.7 cents. In 1979, 55.7 cents. And as I said, in 1984, the price of cotton was 62.4. We did not get this 62.4 in our area; after Government deductions, we're looking at anywhere from 10 to 20 cents a pound less than this figure. So when the Government is figuring that we're in not that bad a shape, I don't believe they go in areas such as ours where we do have these deductions.

And I would ask, with these figures in mind from 1977 to 1980, when the Government was not out any on subsidizing the farmer, did the free market give the farmers a better price? In 1984, we received 62.4 cents; the average price between 1977 and 1980 was 53.03 cents a pound. If we did not have the Government loan this year at what it was, if it was 10 cents, 5 cents a pound below this, the buyers and shippers, they follow this loan like a dog out hunting, and we'd be getting 10 to 5 cents a pound less. You'd be talking to farmers in Donley County getting 30 cents a pound for cotton and going further in the hole.

I believe these figures are accurate and that there is a problem. In Donley County, to my knowledge, we had a weather-related problem; there was not a farmer who produced cotton that made a profit. The banks are feeling the pinch; there are farmers who have never had to go to the Government to get loans that are now hopefully going to be financed through FmHA, restructure their loan for the next few years.

But are we addressing the problem of getting more credit, and not getting something for our cotton?

That's all I have to say. Thank you.

The CHAIRMAN. Thank you very much. We appreciate your being here.

The next witness is Mr. Kenneth E. Wray, followed by Mr. Travis Reid.

Mr. Wray is from Kevil, KY, and Mr. Reid is from Coahoma, TX.

We'll hear from you at this time, Mr. Wray.

STATEMENT OF KENNETH E. WRAY, KEVIL, KY

Mr. WRAY. Thank you, Mr. Chairman, other members of the committee, fellow farmers and agribusinessmen.

It's my pleasure to come here and share a few thoughts with you concerning the agricultural situation of our Nation as I see it this morning.

I had a 16-year career as an agriculture teacher in McCracken County in the western end of the State of Kentucky, and I'd just like to share with you some of the observations I saw there as I attempted to train young men to become a part of the field of farming and agribusiness.

I began the teaching career in 1966 and from about that time until 6 or 8 years into it, I could name you from one to two young men who entered the field of farming each year, but from that time on those who had the opportunity and chose to enter the field of farming are hard to find; the numbers are very few.

I think there's two or three reasons why this situation exists. One is, when I began this teaching career in training young people, I told them that I thought that there would be a time when supply would not exceed demand, and that it would come in their lifetime. Well, we're well into their establishment, and this has not happened because the American farmer is very, very efficient in producing the product of his toil. So if he can do this, he's not to be discredited for being very efficient in what he can do. Yet he must be given an opportunity to make a profit, or it is all to no avail.

You know, there's only three things in life that we need, and that's the necessities of life, that being food, clothing, and shelter. Agriculture provides all of these three necessities in the production of food and fiber.

Also, one of the projects I had students do as I was teaching—my school district covered the western half of the county in which I taught production; we had tillable acreage of 81,000 acres—we determined in a survey that there were 62 full-time farmers, men that did not hold a job anywhere else; they farmed 24 hours a day, so to speak, for their living. That's all they did. These 62 are no longer farming, or not all of them are. Some of them have retired as they reached eligibility and the age of retirement. We have not had the manpower or the sufficient resources among the young people to replace these men. Some of the slack has been taken up by younger farmers who have enlarged their operations, but there is a crisis coming in west McCracken County at some point in time at which we will not be able to produce the food and fiber that that area is capable of producing because we won't have any producers down there to do it.

Now, I think there's two simple solutions to this. One is, we get a price to where a profit can be turned by an individual that's engaged in the business of farming; then they can stay in business.

Now, I mentioned supply and demand. Efficiency, in one sense, has been the downfall of the American farmer. We've been too good for our own good, so to speak. But we can solve this problem with some production controls that would bring supply in relation to demand.

Let me say, also, we hear a lot from our present administration about a free market. The American farmer can produce in a free market if it exists world-wide, and beat the rest of the world. But he cannot beat a French farmer and the French Government at the same time. Some of our best athletes have trouble when they get defensed two on one, and so will the American farmer.

Also I'd like to say that one of the things that's kept our area in a better economic situation than some other areas of the Nation is that we have a cash crop called tobacco. Now, I know there's a bill in Congress now that concerns this program. Fellows, we in west Kentucky and the other tobacco-producing areas will not continue to survive without a viable Tobacco Program; it's that simple. I won't. My three sons, that would like to farm and make it a fourth generation family farm, will not be able to farm without a Tobacco Program to keep their heads above water.

So in concluding, I'd just like to say that I think that agriculture can and will meet those challenges in the future that's needed to feed our Nation and the world if we are given the opportunity to do so. But we must be given the opportunity to do so; and since we are a part of government, government is a part of us, we must walk hand in hand and we must have your help as we continue to do so.

Thank you.

Mr. **Bruce** [acting chairman]. Thank you, Mr. Wray.

Mr. Reid, if you would give us your name and spell your name for us, and where you're from?

STATEMENT OF TRAVIS E. REID, COAHOMA, TX

Mr. **Reid**. Thank you, Mr. Chairman.

My name is Travis Reid and I'm from west Texas, Howard County. I appreciate the opportunity to address this committee. I want to apologize to you, I'm no speaker, and I don't intend to try to make you believe I am. I'm not going to quote a bunch of facts and figures and testimony that you've been getting since 1977. I've been here in 1977, 1978, and 1979; I've been here six times—seven, counting this time.

I think the problems of agriculture are well known. The farmers cannot borrow their way to prosperity. That seems to be the answer that comes from this place up here: "Let's give the farmers another loan." We have to have loans, there's no doubt about it. But the answer of Congress, "Let's give the farmers another loan," you cannot borrow your way to prosperity. You can just about come as near doing it as a drunk can drink himself sober. [Laughter.]

I'm going to be as brief as possible here—the problems in agriculture come from this book right here. We have a conspiracy in this country to force the family farmer off his land. A lot of people know that it consists of the executive branch of this Government, on down through the Members of Congress. It is well planned and well laid out, and they use everything from news media to everything else to beat us down, to try to tell the American people that this isn't happening. But I will promise you it is happening. Their plan is to force the family farmers off the land at the rate of 500,000 a year until they get us down to what they call 250,000 "superfarms." After 1 more year, folks, we will be there. We will be at 350,000 farms in this country, and that will be corporate farmers.

It is time for the people up here to wake up and do something before our whole country goes down the drain. And we are losing it, folks; there's no doubt about it, we're losing it. We're going to see food shortages; we're going to see starvation in this country if we don't turn agriculture around.

You people know this. There's no point in testifying and telling you and telling you; you've had this told to you 1,000 times, from farmers all across this great country of ours.

And one other thing that I would hope that the American people would realize, that we are not asking for no handouts up here. The things we are trying to do will save this country and put a steady supply of food on our grocery store shelves.

That's all I have to say, Mr. Chairman. Thank you.

Mr. **Bruce**. Thank you, Mr. Reid, and would you leave a copy of that yellow pamphlet with the clerk?

Mr. **Reid**. Yes, sir; I would.

Mr. **Bruce**. Thank you very much.

Mr. **Reid**. This is Government policy, by the way. It is being carried out to the letter.

Mr. **Bruce**. All right, thank you.

Mr. Oler, if you'd give us your name and spell it for us, please, and where you're from?

STATEMENT OF CHARLES A. OLER, NEW MADISON, OH

Mr. **Oler**. My name is Charles A. Oler, New Madison, OH, 2108 State Route 722.

The budget can be balanced. The budget could have been balanced in 1962, again in 1983 and every year since 1962 which I've left out—it could have been balanced in 1985 if this program had been administered then and now like it is on the records of the Federal Government. It's copywritten, 1962, and I'll read it.

I am again, in 1985, representing the interest of the general public, which is also on the records of the Federal Government with the same program in 1960, 1961, 1962, and explain more in figures and detail what the entire agriculture economy has to do with the rest of the economy and to explain to this committee the part of the foundation agriculture pays to society and future generations, not only to the United States but to the rest of the world, as each Nation has different natural resources, monetary, and many others not mentioned, which creates the balance wheel. Not only in the United States, but the world over, which have an agriculture base as an exchange of goods. The United States has one of the best agriculture bases of any Nation in the world, along with the technology. Agriculture has nothing to do with trade deficits.

Agriculture is the base of our monetary, education, employment, and tax structure. But it is the main cause of our budget deficits, and most of our problems which have been out of balance in the last quarter of a century.

Agriculture creates $5 of new money for every dollar of income it receives; in sales, it creates $7 for labor—employment. Agriculture creates a large part of our money and employment in its exchange—billions of dollars in banks, millions in labor, everything made. It creates the taxes for our education, balance the budget—deficit—even creates the taxes to our Social Security System and millions of others not even mentioned.

If things in agriculture are underpaid or out of balance—for instance corn, just one commodity, which creates millions of dollars, is selling for $2 at that time; it's $3.20—some right now—$2 per bushel under Government figures today, which is money never printed or does not come into circulation, which is not only causing unemployment but an unbalanced budget and creates a shortage in taxes for everything, even Social Security. For the last quarter of a century, billions were never made or came into circulation, even.

The fluctuation of these prices up or down can create a balance or unbalance in our budget deficit or employment based on many other things; taxes or groceries, for example.

What has the price to produce a bushel of corn in Ohio, Indiana, Brazil got to do with a balanced budget, bankruptcies, unemployment, credit, growth, and many other things not mentioned? Nothing. But what does the price of corn have to do with the budget deficit, bankruptcies in banks and farms, employment, taxes, and many not mentioned, even if Social Security forgot—$27,000 the young generation pays in 10 years. If underpaid again, this money is never created or come into circulation.

It has to have a balance even if it is made in Taiwan, or even have an unbalanced price or cost to produce and a profit or will cause all kinds of problems.

Money is created, not just made. It is only an exchange for our labor and produce, made from our natural resources, which our wealth comes from the soil; but the sun, rain, temperature also have a part and must never be forgotten.

We should never have a long-term farm program due to floods, droughts, population increases and others. For instance, drought in the United States and Africa, and floods in other parts of the world.

Agriculture prices change at least once per year, which no one has control of. Congress should be the one to set all agriculture prices used in the United States—supply and demand—used here, based on figures put out by the Commerce Department, besides a profit. All excess crops or produce raised in the United States not used should be sold or traded for resources we do not have at whatever exchange we can get. There is even some resources we do not have.

Agriculture is one of our greatest resources, which also will go on to our next generation.

All of our natural resources are out of balance—billions—corn, 42 percent; wheat, 46 percent; soybeans, 46 percent; milk, 60 percent—this is just a few.

We can have cheaper food at $5 per bushel for corn, $6 per bushel for wheat, $9 per bushel for beans, $18 a hundred for milk, $100 per hundred for beef, $75 per hundred pounds of pork.

U.S. Government figures, not mine, are much higher—supply and demand. Subsidies or grants should never be used. Close the loopholes and get the Government off the people's back.

There also should be no price floors, target prices, acreage allotments, crop loans, or others—supply and demand, parity prices only.

If there is a loan, the producer should have to pay the loan in full with interest, and CCC should not have to accept the loan payment regardless of the price of grain, but the face of the note.

Each family farm up to $50,000 to be adjusted only at supply and demand and with parity prices. All above shall be sold or traded for farm goods at what ever price we can get or the Government buy and give in foreign aid.

All family farms over 300 acres shall be sold or operated separately by a son or daughter or close relative.

All family corporate farms shall be and receive this same treatment as a regular farm.

Farm trade has nothing to do with the cost of production.

Supply and demand with parity prices. Farm prices have reached parity only once in the last half centurn.

There has been billions and billions of dollars lost, all due to this cause.

We should have a supply and demand with parity prices for all commodities or natural resources. Parity prices for farm and related products should be 100 percent of parity, using Government figures which are already in use by the Federal Government.

Due to the length of consumption, transportation, harvesting, drying, and other causes, parity prices should start at 90 percent of parity, October 1 and increase 1 percent each month until June 30. July, August, and September should increase up to 100 percent of parity. These prices should be put on record each year. The Agriculture Department should release these figures to the Budget Office to be given to Congress each year and put on the books by law, to see these prices are maintained each year. These prices are of great importance to a balanced budget as they create a large part of our new money, employment, and stability to our economy.

Each dollar that these commodities and related products sell for creates $5 of new money and creates $7 for employment. We can have cheaper food, balance the budget, and a steady economy, no depression or slowdown in our economy or employment.

These parity prices are already used and put out by the USDA in the agriculture reports, as there would not have to be many changes as it is already on the books. All that Congress has to do, or Agriculture, is to see that these parity prices are administered accordingly each year.

Supply and demand, and parity prices on all commodities. No new subsidy payments, no new loans; all old loans to be phased out in the next 4 years and no new Government loans or financial aid of any kind.

Agriculture creates more money and labor than any part of our economy.

Take the money which agriculture should create which is out of balance and the money that never is created or comes into circulation is in the billions besides the taxes never paid on this money or the employment it would create is tremendous.

The money that is never created with interest can balance the budget. A balanced agriculture will create a balanced budget.

I belong to the Farmer's Union, National Corn Growers' Association, and I intend to belong to the organization that's having this meeting today.

Mr. BRUCE. All right. Thank you, Mr. Oler, for testifying before the committee. We will take the rest of your testimony and make it a part of the record of this committee today.

Mr. OLER. We thank you.

[The attachments are held in the committee files.]

Mr. BRUCE. Thank you.

Mr. OLER. Could I make another statement? This program I'm talking about is already put out by the Agriculture Department; right here it is—Farmer's Union is the only union I know of that uses this. I was before this committee in 1962, and I'm sorry I don't have copies printed.

Thank you.

Mr. BRUCE. Mr. Sanner, if you would begin your testimony by telling us your name and where you're from.

STATEMENT OF HARVEY J. SANNER, ARKANSAS DELEGATE, AMERICAN AGRICULTURE MOVEMENT

Mr. SANNER. Thank you, Mr. Bruce. I'm Harvey Joe Sanner; I'm a rice and soybean farmer from Arkansas. I'm also the Arkansas delegate from the American Agriculture Movement.

As the gentleman said earlier from Texas, we've been coming here 3 years and telling you folks what the problem was, so no need for me to dwell on that. But I see this as the year of opportunity for farmers, when this 1985 farm bill starts to take shape, and I think all of us ought to sign a big thank-you card and send it to maybe Mr. Reagan and Mr. Stockman and Mr. Block for them proposing such a ridiculous farm bill. It gives you Members of Congress the opportunity to write a reasonable one because theirs is so utterly ridiculous, it's going to destroy rural America.

I've said before, if we allow David Stockman, John Block and Robert Delano to write this 1985 farm bill, we're going to get what we deserve. And to do so would be about like hiring Adolf Hitler to watch a nursery full of Jewish children. We cannot allow it to happen. They're going to destroy us if we set back and let it happen.

I realize we have an obligation in production agriculture to make our wants and needs known. We have done that. You also have an obligation to answer those.

Mr. Madigan, I think you have a terrible perspective problem in viewing this farm problem. When you say there's $650 million available and only $25 million has been picked up, I can assure you it hasn't been because the farmers in Arkansas haven't tried to get some of it. It's stacks of papers this deep in all the FmHA offices applying for it. And because of some of the criteria that the Reagan administration put forth, they do not qualify, of a lack of help and other reasons. But the money has been applied for, and $650 million is a drop in the bucket to what we need and what we're going to have to have.

There's something, as we go into the 1985 farm bill debate, that I wish we could keep in mind. When we treat credit and don't treat the reason that we need the credit, we are treating the symptom and not the disease. And the disease is low farm prices, and credit is merely a symptom; it is no answer. Granted, we've got to have it to produce another crop. But let's don't get bogged down in those credit needs and forget what caused us all to need that credit, and the ones that don't need it today will need it tomorrow because of low farm prices.

I have trouble understanding the administration's rationale that it will be "budget-busting" to make loans to farmers when you're constantly making 40-year, 3-percent loans to Brazil, Argentina, who are taking that money and producing soybeans and competing against me as an Arkansas farmer.

But the perspective problem is this. It's going to have to be overcome before you gentlemen can write a reasonable farm bill. You're going to have to view agriculture as an asset and not as a liability. And when I hear you wringing your hands about the cost and what the problems of agriculture cause to this Nation, you can't write a farm bill in that kind of atmosphere. You're always worried about, "Oh, what're we going to do for agriculture? What does them farmers want now? More money? All they are after is a handout." Well, you couldn't write any kind of bill under that type of atmosphere. We need to start looking at it as an asset and not a liability. Until we do, you can't address it properly.

And the folks down at the Department—I've met several of them; I had breakfast with Secretary Block yesterday morning—they have got about as much idea as a blind opossum about what's going on out there in rural America. They're out of touch. They don't know what's happening. You're going to have to quit listening to USDA and start listening to producing farmers to develop these policies.

We know what our problem is. I'm not saying we're smart enough to sit down and write you a 4-year farm bill, but you gentlemen are smart enough to take our input and come up with a farm bill that makes much more sense than what the administration's cranked out, and you're going to have to do it on a bipartisan basis, I realize that. Some partisan bickering is what's helped get us into this problem. Both parties—well, the Democrats ought to be on their knees begging forgiveness for what Jimmy Carter did to us, and Ronald Reagan's people ought to be begging right now. There's enough guilt going around for everybody, both sides. Neither party and no administration has addressed the issue and got down to doing what it's going to take to correct it.

Hopefully, this time we can, and I feel kindly optimistic because we're to the point in time now—I think it's very obvious to the majority of the American people—that any further loss in farm numbers and any further deterioration of the rural community is not—not only is it harmful to us, but it is not beneficial to this Nation. Consumers are not going to buy food and fiber any more cheaply as we drive more of us off the land.

So in the process of pursuing this cheap food policy, we have gone as far as we can go with it. The only way Mr. and Mrs. America are going to keep their cheap food policy is to keep independent family farm operators in business; because once they lose us, they lose it forever and they can't have it back.

So I think you gentlemen have an obligation to see that America has a cheap food policy. They're going to demand it, and they're going to have it whether we want them to have it or not. But let's make it clear to them: The only way you're going to be able to have it is to keep us in business, and let's pass some legislation that puts a profit back in agriculture.

Let me say this, too. What Mr. Block said yesterday privately to us—and something that kindly contradicts what you said, Mr. Madigan—this is not a budget issue. He said that flat out. The budget concern is a lot of media hype and political hype cranked out by the administration to refuse to do anything. We can write a cheaper farm bill, a less costly farm bill, that addresses the issue and puts a profit back in agriculture with far less Federal dollars. Mr. Block said himself yesterday, it is not a budget issue; it's a philosophy issue—the philosophy of whether we pull the Government out and have a free market, or whether we have Government adjust production and put a floor under commodity prices at some reasonable level. It's a philosophy issue, and that's all it is. This budget mess—it's comparing apples and oranges.

As you know, the 1981 farm bill was the most expensive ever written, especially coupled with PIK. And we got agriculture at depression-level prices because of it. Even though it was a minute part of our budget, it was still the most expensive ever written, and we've got agriculture in worse shape. We can take less dollars and get agriculture healthy, or we can pour billions and billions and billions and get it in worse shape.

So you're comparing apples and oranges when you're talking about needing budget dollars to write a good farm bill. That's not the case. We can take less dollars and have a better one.

I see I haven't even got buzzed yet; what I'd rather do is shut up talking now and see if you might have a question for me. Thank you.

Mr. **Bruce**. Mr. Sanner, thank you very much for your testimony.

Any questions?

Next, Ms. Joyce Jobgen.

STATEMENT OF JOYCE E. JOBGEN, SOUTH DAKOTA DELEGATE, AMERICAN AGRICULTURE MOVEMENT

Ms. **Jobgen**. My name is Joyce Jobgen. I am from South Dakota. I serve as the delegate from that State on the National Board of Delegates for the American Agriculture Movement.

I appreciate the opportunity to be here. I would reiterate the fact that many, many of us have told this story many times, but we're willing to continue to tell it until the Congress can understand what the plight is in rural America.

My husband and I own and operate a 4,700-acre farm in western South Dakota. This may sound large to some of you, but in our area it is not. The actual cropland is about 1,500 acres; of that, we summer fallow, or lay aside, 50 percent each year because of lack of moisture.

We also lease about 5,000 acres of Government grazing ground.

My husband's ancestors homesteaded the land that we now have. We have added to it, but we have the original homestead. It survived the 1930's and we are very, very concerned that we cannot survive what we are looking at today.

Our major crop is winter wheat. My husband has the highest yield in our county—45 bushels an acre for dry land winter wheat. We have held a high average as far as marketing our livestock. We have marketed in the very highest range of price that was available.

Our long-term interest rate is 6.6 percent; our average price of our land that we purchased is $87 an acre. Our real estate tax is based on sales within the county. The average tax on our land is

$123. Our operating cost per acre for planting wheat is $120 an acre.

These prices, I am trying to give to you to point out a fact. We are not one of the over-leveraged farmers who is in trouble that the administration keeps addressing. In the last 3 years, our operation has taken a $53,000 tax loss. In 1984 we sold two wheat crops to try to stop some short-term interest at PCA. Even though we sold two wheat crops, we paid no income tax.

Now, this tells me that increased production, unless there is a price, will not solve agriculture's problem. The administration says we've had bad farm policy for the last 50 years. Well, according to the history that I read about our farm policy, we had 10 years that was very, very good. It provided agriculture a return on their investment. It gave us a profit. My parents were farming in those years. We could buy new cars; we could buy new equipment; we made many purchases. We even took vacations. My husband and I have farmed for 27 years. We never had the opportunity to take our children on a vacation of any length—a trip to Rapid City, which is 50 miles away, to spend a weekend was considered a great vacation. And it's not because we're over-leveraged; it's because we have always been very conservative and we have watched our pennies.

I would like to urge this committee to address the farm credit and the passage of it, but I also think it's even more important that we look at a long-range farm policy that will provide a safety net at or near our actual cost of production. No matter how good a producer you are, if you are selling your product for less than the cost of production, eventually you will no longer be in business.

This long-range bill also has to address strong soil conservation practices and production controls. I am totally convinced that the farmers in South Dakota would be more than happy to cut their amount of production if they could get a price that would cover their cost. This program will also ensure that consumers of this country a reasonably-priced, ample supply of food. The alternative is large farms, small numbers, which will mandate a price with no concern for the price of food at the consumer level nor need to provide an ample supply. They are going to be looking at it from a profit standpoint only.

That is the gist of my testimony. I will answer any questions, but it isn't just over-leveraged farmers that's having problems. Every one of us are going to be gone if we can't meet the cost of production. We haven't purchased a new piece of equipment on our operation since 1974, and sooner or later you have to make a capital investment or you can't repair it any longer. My husband is an excellent mechanic, but you have to have a basic something to start with. And when it's all wore out, it's wore out.

Thank you.

The **Chairman**. Thank you very much for that excellent statement. I wish we could get you on national television to tell your story. That's part of our problem. We can't get a story like that out to millions and millions of Americans.

Mr. Glisson, we'll be happy to hear from you at this time. Let's see, you're Lexie Glisson from West Paducah, KY?

STATEMENT OF LEXIE L. GLISSON, WEST PADUCAH, KY

Mr. GLISSON. That's correct, sir. Thank you, Mr. Chairman.

Mr. Chairman and other members of the committee, fellow farmers, other guests that are here in the room, I didn't know until last night, fairly late, about this particular meeting. I didn't come with a prepared statement; I came to tell a story from the heart.

I was in school under one of the people that's already testified here this morning, Mr. Kenneth Wray. While I was in school I entered the FFA Program, the agriculture program at my school. It was portrayed to me to be a bright and excellent future, to be a world of dreams, encouraging things to be able to do for yourself, for your community, and for the country. Why? Because this country was built—built—on agriculture. When people came to this country, everybody had to furnish their own food. They had to make their gardens, they had to use their flour, their yeast—they made everything, and 100 percent of the people that were in this country had to be faced with the question of agriculture.

Today, that figure is 3 percent of the population of the United States who are actively involved in agriculture. That's an amazing difference. It's amazing when you stop to think that agriculture built this country. Your food, your fiber—we're not talking about row crop production to feed our stock. We're talking about things that build your houses. Look at the wood on this table. Forestry is a part of agriculture. Cotton puts the suits and clothes on your back. And the administration now, and over the past 10 to 20 years, is taking that away from this country. They—as someone has already pointed out to Mr. Madigan—they are being looked at as a problem, not an answer.

Gentlemen, that is wrong, very wrong. Agriculture can put this country back on top. It can put this country back into a patriotism that we haven't seen in a lot of years. Don't get me wrong; I'm not implying that agriculture is the only patriotic part of this country, because it's not. You gentlemen are patriots, and you're not farmers. You're patriots because you're serving your country. You're serving the people of this country.

I heard yesterday that there was a poll taken. I wish that I had written the gentleman's name down and the service that took the poll, but I did not. But the figure I remember, because it's outstanding: 82 percent of the American population are now backing the farmers. They want this administration and this Government to do something to relieve our problems. We are here to ask you to do that.

In closing, I'll back up and give you a little personal history. When I was in school, we were asked to produce from fence row to fence row, maximum production. That has caused an oversupply; that, the farmers can take the blame for, and that is all they can take the blame for, is oversupply. They have produced to the point—and shown you to the point—that they can do the job so good that they have hurt themselves.

In accordance with the lady that was just here, there's not a farmer sitting in this room that wouldn't take a 5- or 10-percent mandatory reduction if we could get a price for our product.

We enjoy what we do, and we would like to continue doing so.

One other final point. There was one other person in my school—I graduated in 1977—there was a graduate in 1978 that went into full-time farming. That is the last person in the school district I was in that has gone into the agricultural field. That's several years, gentlemen, and there's been several of the old-time established farmers to go out of business. What are you going to do in 20 years? I'm not worried about 5; what are you going to do in 20? Who's going to feed you? Who's going to be able to do it like we can today? Help us, please.

The **CHAIRMAN**. Thank you very much, Lexie Glisson. Let me assure you that I'll carry the weight on my shoulders this afternoon to try and convince my colleagues to vote for the legislation that we have today, which is a first step. The other legislation that we'll be working on is for the long term. And I assure you that I'll be speaking to my colleagues.

Our next witness is Mr. David Gibbs, from Kevil, KY. We'd be happy to hear from you at this time.

STATEMENT OF DAVID G. GIBBS, KEVIL, KY

Mr. **GIBBS**. I'm just an old plowboy from Kentucky. The farm that I live on, I was raised on; it's been in the family since 1888. That's nearly 100 years.

We consider farmers as the backbone of this Nation. So goes the farmer, so goes the Nation. I started to work on that farm when I was 11 years old, making a hand, and I started plowing behind a pair of mules. They taught me to plow. My mother and dad separated before I was born. I had a good dad, but he let whiskey get the best of him. I had the most wonderful mother in the world.

I'm about to lose that farm, and something that you're born and raised on and worked all your life on and loved, it's hard for my wife and I to walk away and leave that. And the only reason why we would walk away is because of the embargo, the high interest rates, the low prices, and the imports coming into this country that seem to be killing our markets.

I was raised by an uncle who taught me two things. He taught me to work, and he taught me to manage. But I haven't been able to manage these last 5 years. I'm ashamed to tell you that I lost $90,000 a year for the last 5 years. That's not easy for me to tell you, but those are facts.

The average farmer of this country, using $1,000 an acre of land—that's just merely pitching that out—we have land prices that are down from 40 to 50 percent, according to all the polls and the way it's selling in our country. In those 5 years, every farmer in this United States has lost $40,000 per 100 acres, which is $200,000 in equity that we have lost from no fault of our own.

I read something that impressed me very much here the other day, and it said that great people are just ordinary people with extraordinary amounts of determination. We, as farmers, feel like we are great people and we do have an extraordinary amount of determination.

I would get down on my hands and knees and crawl 800 miles back home if it would help to save the farms of this country. But that's ridiculous; that won't do that, I know. But I'd be willing to do it.

We ask you to please help us.

The **Chairman**. Thank you very much, Mr. Gibbs. We're not going to let you down; or if we go down, we'll all go down fighting together.

Mr. **Gibbs**. Thank you very much.

The **Chairman**. I have to appear now at the Accounts Committee on the committee's budget. Tim Penny, our distinguished member from Minnesota, will preside next. He will be followed by our distinguished colleague from Texas, Mr. Stenholm. Later we'll have Charley Rose of North Carolina; Tom Daschle of South Dakota; Dan Glickman of Kansas; Mr. Olin of Virginia; Mr. Stallings of Idaho; Mr. Volkmer of Missouri; Mr. Whitley of North Carolina; Mr. Thomas of Georgia; Ed Jones of Tennessee; Robin Tallon of South Carolina, and Berkley Bedell of Iowa. They will be presiding during the day, but I assure you we'll all be with you, and I'll be back later. This is your meeting for every farmer that's in town and anyone that wants to testify.

Mr. **Penny** [acting chairman]. The next witness is Mr. Long of Texas. We welcome you to the committee and look forward to your testimony.

STATEMENT OF JAMES A. LONG, PADUCAH, TX

Mr. **Long**. Thank you, Mr. Penny.

All the testimony you fellows have heard here this morning is accurate. The fellow that just got through before me—that's happening throughout the land, everywhere you go. It's just not his situation; it's nearly 100 percent of the farmers' situation.

Mr. **Penny**. Can you wait just a minute? We have some people moving out and it's going to be difficult for others to hear until we get this move completed. It'll just take another half a minute.

I think that most everybody that wants in is now in, and the few that wanted to leave are now out the door, so please proceed.

Mr. **Long**. This problem is nationwide. We've been coming up here now for several years telling you all the same story, over and over and over, that agriculture has got to have a price. That's the only thing that's going to cure it. And agriculture is not the only problem that we've got. We have come up now with a severe national problem. And as long as we keep addressing agriculture as one of the problems, we're never going to cure the situation. Agriculture is the solution to our problems. It's the only solution to our problem. The young man that testified before me talked about the people that came to this country, and all of them were farmers. They all provided for themselves. Now, then, there's very few of us providing for the lot of us.

This thing has been a-building for several years, and it's got so bad now that I've just served, recently, on a FmHA committee in Cottle and King Counties, TX. When we sell everything that we grow in two counties, we cannot pay the interest on what we owe. This has got to be changed, and the only way we can change it is with a price. The free market system does not exist, never has existed. There is no such thing that we can work under at a market-clearing level when they never say nothing about the price on it.

We had legislation a few years back that made this country prosperous. It worked then; it'll work today. That's the Steagall amendment. If you all are not familiar with it, you should be. That's one of the greatest pieces of legislation that ever helped agriculture. It wasn't an agriculture bill; it was a banking and financing bill, but it worked. It will work today. That put a profit in agriculture. That don't mean I'll make a profit, but it means that if I produce, I get a price for what I produce.

Out in rural America—I don't know how many of you all is out there very often, but I live there—my hometown has went from a pretty good, prosperous town to nothing. There's vacant buildings around the square. The schools is going down. The churches is going down. You all are going to wake up one day with a void in rural America that you can't believe. It's time we done something about it.

We talk about the overall budget. I believe you folks get up here and you get all carried away with a lot of big numbers, and you lose reality and you don't really understand where wealth comes from. Wealth comes from one place and one place only, and that's from the land. The land provides. God intended it that way; that's the reason we got our seasons, our rainfall, our soil. The farmer produces it, but God provides it. The only thing that's against that commodity is the goods and services that we have to purchase to make it with, and that's what keeps our towns and communities going, the turn of the agricultural dollar. It creates, nationwide, between $5 and $7 of created new wealth that don't have to be paid back.

Using Cottle and King Counties, for instance, in Texas again, if we'd created the wealth that it took to run our own counties, our schools, our hospitals, we wouldn't have owed everything we produced for interest today. That borrowed dollar is not just ruining agriculture; it's ruining this Nation. You people have got the problem, not agriculture. The monkey is on you all's back. You all can either go with agriculture and straighten this up, put this Nation back on its feet, or you can continue the policies of the CED, which one of these fellows mentioned this morning, follow that policy, and America's going to be on your shoulders, fellas, that's all it is to it. We can't last on the route we're going.

Agriculture can work it back. We can put it back at a paying Nation, and we can put it back strong. But if we fail in 1985, I personally believe that it's all over with, because we can't continue to borrow this money and to exist and to pay interest on something that doesn't exist anyhow.

So let's get with agriculture and let's put a profit back in it. Let's write some kind of legislation like the Steagall amendment, which worked before, and let's make this country great again. And if you got any doubts, you're more than welcome to come to Paducah, TX and I'll drive you around for days at a time and show you what I'm talking about. Charley Stenholm lives not too far from me, and he has got the same problem.

Our little towns are gone, and when they go the people move into cities and cause more problems. So your problems multiply, and they're multiplying faster. The avalanche is coming down fast. And if you all don't stop it, it's going to run you over, I'll guarantee you that.

So, fellers, I'd like to ask you to consider what we've been telling today. Every one of them is telling the same story, and they're nothing but facts.

Again, the problem is you all. You all got to face up to what the problem is and straighten up agriculture, and by that I mean putting a profit back in it, and that's some kind of legislation to put a price on what we grow. And forget about this free market thing that doesn't exist. Never has and never will.

I thank you.

Mr. **PENNY**. Before I introduce the next witness, I want to welcome to the committee a colleague of mine from Minnesota, Mr. Stangeland from northwestern Minnesota. It's good to have you join this committee hearing this morning.

The next witness is Larry Ketteler, a farmer from Wisconsin, just across the river from me; I represent southeastern Minnesota. So we welcome you to our committee.

STATEMENT OF LARRY W. KETTELER, BEAVER DAM, WI

Mr. **KETTELER**. Thank you. I'd like to thank the members of the committee for allowing me to present my situation to you today. I'm just going to give you a brief synopsis of my own personal situation, and I hope it pretty much reflects what's going on out there in the Midwest and other parts of this country, as well. It's more widespread, I think, than most people realize.

I'm 51 years old. I've got a 600-acre operation up in Wisconsin, and I own about 380 of it. I've been farming there since 1959, when I got out of the service. I bought my first land in 1964.

The crisis for me emerged in 1980, along with the Carter embargo. I'm sure the problems were there before, but it wasn't as critical and severe as it is right now as a result of that. That really brought this thing to a head, I think. From 1980 to 1982 was pretty much a bath of red ink for me, and I did like a lot of other farmers. I plowed my losses back into my real estate, trying to keep going and hoping for better things down the road.

And of course, the PIK Program came along, Mr. Reagan's program of a year or so ago. And hindsight is terrific, but the way I see it right now, that was just about 2 to 3 years too late. It should have been instituted when we had the embargo, then it might have done us some good, not after we'd dug a terrific hole with losses.

In the course of my operation, during the period from 1980 to 1983, I was producing corn for $3 or better and getting $2.50 on loan, and paying the interest besides plus the interest on my other loans that I had. The lenders in this particular situation were starting to peel farmers off in my area, even back then, but the PIK Program sort of delayed things a little bit. These lenders, PCA's in particular, saw a good chance to get ahold of the PIK money, and I think there were a lot of cases like this. I've talked to individuals that have experienced this. So they came out and gave token support for 1 more year so they could lay their hands on this PIK money, which they didn't have immediate legal recourse to, and then we were faced with the situation we are in today, where they kicked us out the door and pulled the rug out from under us. Again, that's what a lot of farmers are experiencing right now.

They have no interest in the Reagan program, the $625 million. You can get that from local people; you can get it from the head of the Farm Credit Administration, Mr. Wilkinson, and it leaves a lot of us farmers in a no man's land. I went out to get a part-time job, or a full-time job, to support my farm operation, support the red ink, and that makes me ineligible for the FMAC loans. So, again, it leaves me in a no man's land as far as any type of financing this year.

It's just to show you the anomaly we're faced with. I had record income in 1984, around $250,000 net off my farm. All this was picked up by PCA and used to apply against my loan. They have been paying my real estate loan every year out of the money I turned over to them. This year, they decided not to do that, so I'm presently in foreclosure, bankruptcy, chapter XI, and I feel the only reason that a lot of these things were done—especially with the PIK Program and the support that they gave, the token support—was to get ahold of the PIK money. I've got my debt down to $45,000 with them; a $100,000 inventory in machinery and a likelihood of not being able to plant this year.

I think our biggest problem are the farmers that aren't here today, the farmers that aren't supporting this thing, the farmers that are just, maybe, one step up, got their feet out of the water yet; but if this thing is allowed to continue, they'll be down there with us, also. And I think it behooves each and every one of us in the farming community to get behind this thing and see that we can restructure some kind of a farm program that's going to do the farm community good as a whole.

I think we've had some large companies bailed out by the Government, and I don't think any farmer in here is looking for a bailout, but I'd like to use that as an example. It was justified on the basis of vital interests of the Nation. Our ag economy constitutes 25 percent of our gross national product; I think that's pretty well documented, but still it's not considered worth stabilizing and saving by a lot of people, our present administration included.

I think the old saying that you've heard, "No Army fights on an empty stomach," and I think food should be considered vital; I think we should look at it that way, especially now and as we go ahead and develop a new farm program.

Thank you, sirs.

[The prepared statement of Mr. Ketteler appears at the conclusion of the hearing.]

Mr. **Penny**. Thank you, Mr. Ketteler. We appreciate your testimony this morning.

Our next witness is Mrs. Poe, and I don't have a bio sheet on you so I'm not sure where you're from.

Mrs. **Poe**. Schuyler County, MO.

Mr. **Penny**. Missouri. Welcome to the committee.

Mrs. **Poe**. Thank you.

Mr. **Penny**. Before you speak, if I might, I'd like to introduce another member that just came in, chairman of the Conservation and Credit Subcommittee, Mr. Jones. Mr. Jones led the effort as subcommittee chairman in the last month to put together the credit package that passed the House last week, and we appreciate his work on that bill. And, of course, as chairman of that subcommittee, he will also be deeply involved in the development of the 1985 farm bill.

Welcome, again, Mrs. Poe.

STATEMENT OF BRENDA J. POE, DOWNING, MO

Mrs. **Poe**. First of all, I apologize for the nervousness of myself. I don't do speeches very often.

I feel very privileged and honored to support the families in this country, and I want to thank my friends, neighbors, and merchants who made donations to give me the opportunity to be here.

My husband and I have lived on a farm all our lives and we want to continue farming. We have two sons, ages 2½ and 4, whom I would love to see follow their daddy's footsteps and their forefathers.

We bought 279 acres in 1979. To set up with this investment, we had livestock and machinery, and it took approximately $225,000. We also share-farmed for our grandfather, father, and our neighbors. We have farmed for 6 years, struggling through severe weather conditions, low farm prices, high interest rates, and I received a statement from Farmers Home Administration of $152,000, due January 1, 1985. This includes delinquent loans, operating loans, and interest. We did not even reach paying for our annual operating loan of 1984. I see and hear of friends, relatives, merchants, banks, all of our farmers of all ages going out of business all the time. It is so sad to see this because some of them have no place to turn.

We would like to have the opportunity to carry on our family farm, which will make my sons the fourth generation farmers. Nothing makes me any happier than to see my husband waving and smiling while driving away on his tractor to support our family farm and this country. I love to watch the faces of my two baby boys while they are witnessing a newborn pig, lamb, or baby calf, stand to their feet, and nurse from their mother.

Let's put the farmer back on his feet while we are still willing and able. Please help some of the family farmers. We need good prices.

It is a great honor, and I would like to thank you for allowing me here to testify.

Mr. **Penny**. Thank you, Mrs. Poe. And as someone who grew up on a fourth generation farm in Minnesota, I share your deep feelings about what family agriculture means to America, and went through some of those same experiences myself when I was a child, so we really appreciate your helping us focus on the human perspective in terms of what's going on in agriculture today.

Mrs. **Poe**. When I stepped in I just wrote a few things down because I figured I'd forget my name, and I even wrote my name down.

And I am from Missouri.

Mr. **Penny**. Thank you again for being here.

Our next witness is Gary Redmon. Gary is with a farm implement dealership, and he comes from Brookfield, MO.

Gary, welcome to the committee this morning.

STATEMENT OF GARY D. REDMON, BROOKFIELD, MO

Mr. **Redmon**. Thank you, Mr. Chairman, gentlemen of the committee.

Unlike most of the people here today, I do not get my livelihood from farming. I am in the farm machinery business, and the farm problems are very close to me.

You know, these farm problems that everybody's been talking about really wouldn't be so bad if we could just keep them on the farm. But they're coming to town, and they're coming to town very, very rapidly.

I watch my colleagues up and down the main street of Brookfield, MO, and every day the look on their faces seems to me to be just a little bit longer. Doors are closing; banks are holding title to businesses up and down the main street of our town at an ever-increasing rate. And I wonder, sometimes, when we talk about the cost of agriculture from the Government standpoint or the cost of an agriculture bill, just how far-reaching our thinking is.

The Department of Agriculture spends a lot of money in our county through FmHA, but the Government spends it in a lot of other ways, too. A good percentage of the businesses in our community anymore are funded by a Small Business Administration loan. Thank Heaven we've got them; I understand there is a move afoot to do away with the Small Business, but if we didn't have the Small Business Administration in our community, we wouldn't have many businesses.

And therein lies another cost, if you stop and think about it. Now, that's not funded by Agriculture, but it's funded by the taxpayers of this community.

And then further on down the road, as you look around, we had a bank fail in our community this year. That bank had deposits of $13.5 million. The FDIC came in and took that bank over; and anytime that you pick up something in a distressed situation, I realize you're not going to get top dollar out of the loans and assets of that bank. But they're going to take about a $5 million bath. Now, that's $5 million out of the Government Treasury, I assume, and that, too, is part of the cost of agriculture because most of those loans were agricultural in nature.

So, gentlemen, as we talk about—and as you discuss and think about—the cost of agriculture in this country, remember that agriculture, although it is a small segment of our population, it affects a very large number of our citizens. The people that I do business with every day are farmers. The people that I visit with daily are farmers, but I have a lot of friends and a lot of people who are merchants in our community, and they, too, are in trouble.

There is another four-letter word in our town, and it's on the front desk of every business in town, and that word is c-a-s-h, because we can't carry these people any longer. I have in my inventory almost $350,000 worth of repossessed equipment. I realize that's my fault, but do you know who paid for it? I paid for that machinery with a Small Business Administration loan. And if that didn't come out of the Federal Treasury, fellows, I don't know where it came from.

So when you talk about the price of this agriculture bill, remember, there are a lot of other facts that go along with it.

Thank you.

Mr. **Penny**. We appreciate that testimony.

We've had a couple committee members who have come in somewhere here at the start, and weren't formally introduced. Mr. Smith of Oregon, Mr. Schuette from Michigan, Mr. Gunderson from Wisconsin, just across the river from me; and Mr. Chappie, down at the end, from California. We appreciate their attendance this morning.

The next witness we have on our schedule is Carolyn Shaffer, a dairy farmer from Lancaster, MO. Missouri is certainly well represented this morning.

We welcome you to the committee.

STATEMENT OF CAROLYN M. SHAFFER, LANCASTER, MO

Mrs. **Shaffer**. Thank you.

My name is Carolyn Shaffer. I live in Lancaster, MO, which is in Schuyler County. We're in northeast Missouri.

I'd like to address, Mr. Chairman, members of the committee, fellow farmers—I'd also like to express my thanks for allowing me to testify to my family and to those people back home who have made it possible for me to be here.

We have three children, ages 20, 13, and 12. We do operate a dairy; we have 258 acres, which is relatively small, 50 cows. For the past 2 years, in particular, we have had to buy all of our feed, grain, and hay, because of weather. This year we were able to raise a crop. We feel lucky, but this 1 year is not going to compensate for the past 2.

We were not able to participate in the Dairy Diversion Program because we did not qualify. But that program will have a direct effect on our future.

For us, it is a real thrill to break in a new heifer to milk, one that we have planned, one that we have hand-raised, and that pride outweighs the 16-hour days, the knee-deep mud, the 100-degree-plus weather, the minus-20-degree-plus weather, the water problems, the machinery breakdowns, and so on and so on.

We would like a chance to save our farm. We want to continue to dairy.

Thank you.

Mr. **Penny**. Thank you, Carolyn, for your testimony.

I'd like to defer to Mr. Jones to introduce our next witness.

Mr. **Jones** of Tennessee. Thank you very much, Mr. Penny.

Before I introduce the next witness, I'd like to applaud the chairman of our full committee for arranging this hearing for all of you today. I think this speaks well for as many of the full committee to be here as you see today.

We also are very, very proud indeed that you are here, and I appreciate the efforts that you are making to help us do something for American agriculture.

The gentleman that I'm about to introduce as a witness is a neighbor of mine. He's been a citizen of my congressional district all of my life. I've known his family as long as I've known myself. This young man and his wife and their families have contributed much to American agriculture. He not only came from a farm where his own father was a renter, who never owned a farm, but he learned how to produce and owns his own farm, or at least has title to it at the present time, but is suffering the same consequences that many are throughout rural America.

He and his wife and his son have struggled and struggled hard to do as well as they have. Times have caught up with them the same as they have with many of you.

His son attended an outstanding university and graduated in animal husbandry, and they expected to develop a good herd of purebred Hereford cattle, and did start; and with the crisis that developed, they had to call an end to that and the young man had to seek employment somewhere else.

Mr. Quinton Boyett is on the farm himself, struggling, doing his very best to maintain an honorable position in the community and doing all that he possibly can to see to it that they do maintain title to what's left.

Mr. Chairman, it does me a great deal of good to see people such as Mr. Boyett and many of the others here, come to Washington to be heard by this committee.

Mr. PENNY. Thank you, Mr. Jones, and again, welcome to the committee, Mr. Boyett.

STATEMENT OF QUINTON BOYETT, KENTON, TN

Mr. BOYETT. Mr. Chairman, and members of the committee, I thank you. I thank Mr. Jones; I've known him all my life.

My story has been told, probably, 20 times already this morning, and I'm here not asking you, I'm begging you for help.

I don't know whether I can continue talking or not, because of the depressed feeling that I have. I'm 60 years old; my wife is the same age as me. We've worked—and for 18 years of my life, I've farmed and worked public works in order to get established in my farming operation. I worked for a natural gas company that has a compressor station close to me, and I worked nights there and I worked days in order to get established. In 1968 I felt established enough that I might make it on my own.

We've been accused of being extravagant. In these years I built an elevator, where I could store my grain and hold it off for the market. That is not being extravagant. I built two grain bins at the time; as I got one paid, I built another one. And as I got those paid, I came right on. I did all the labor myself. I'm driving combines now that are 1976 and 1977 models, and I don't think that's being extravagant. My car has 90,000 miles on it, and it's still a good car. I'm just bringing this point out because we have been accused of being extravagant.

I have learned to produce. I made 38,000 bushels of corn last year and 30,000 bushels of beans and did not meet my obligations.

Now, then, I want to ask the question: What else can I do? I keep my land built up. I have one farm that's eroded-type of land. It's a real fertile type of soil, but it will erode. Now, we are talking about doing away with soil conservation. What do you expect me to do with this piece of property? It will make good alfalfa if you can get the seed established before the rains come and it erodes. So the soil conservation is a very depressing thing when you go to talk about doing away with it.

We'll go back now and start again with interest rates. The interest rates hit—I began to feel it—in 1978 and 1979. In 1980, the bomb dropped, and I cannot make enough to service the debt that comes on me. As I get bigger, my debts get bigger. I was doing better when I had 300 acres of crops than I am now, with 1,300 acres of crops.

That's about all I have to say. I have come to ask you for help.

[The prepared statement of Mr. Boyett appears at the conclusion of the hearing.]

Mr. **Penny**. Thank you, Mr. Boyett, for your testimony. Your comments, together with those of many others this morning, help us to get the point across that we're not dealing with poor managers here. I get upset every time I hear someone from the administration say that we have no business stepping in with any kind of a credit program to help in the short term because, after all, the only ones in trouble are those who made bad decisions, those farmers who are poor managers. When you sit here as we have this morning listening to farmer after farmer after farmer talk to us about their particular situation and the fact that they are a third or a fourth or a fifth generation, a family farmer, and you recognize that for 10, 20, 30, 40 years these individuals have farmed and farmed successfully, it just flies in the face of logic to say that all of a sudden they've become a poor manager. There are some circumstances that they couldn't control that led to these difficulties and debts, and that's why we're here, trying to focus on this issue so we can provide the kind of assistance necessary to keep family business a reality in this Nation.

And thank you, again, for being here this morning.

Mr. **Boyett**. Thank you, sir.

Mr. **Penny**. Our next witness is Mr. Lloyd Erickson, a farmer from Memphis, MO.

Welcome to the committee.

STATEMENT OF LLOYD ERICKSON, MEMPHIS, MO

Mr. **Erickson**. Thank you, Mr. Chairman, and other members here today.

The story has been told over and again about distress in agriculture. In my personal situation, it's too late for me, but I am one of many volunteers who work in a farm counseling service in Memphis, MO, and we try to help farmers with FmHA, Small Business, loan guarantees, and other programs that have been established. I just wish that the gentleman who was from Illinois could be here, because there are some things that I would personally like to direct at him.

Not only do we deal with people from the State of Missouri, but we deal with people from Montana to New Jersey, from Colorado to the Carolinas, so the problem that I am speaking about is just not of northeast Missouri, it is of agriculture in the United States.

The President came out, as you know, with a campaign promise to help the American farmer just before election. And that program is the $650 million that was set aside for loan guarantees to the banks. The program, the way it is structured right now, gentlemen, will not work because of the logistics of it. When you have to fall within a 10-percent range to qualify for this with the writedown from the banks, it is almost impossible. If you are too low for it, you cannot apply for loan guarantees because your cash flow will not service it. If you are too high, you are too good for the program; so what we see in our office is trying to structure within a 10-percent range to get it to qualify.

I have letters from two different banks in the State of Missouri that are willing to participate in the loan guarantee program, only to have a county supervisor say, "In New Madrid County in Missouri, this office is not processing any loan guarantees from my office." Having the file folded and shoved back in the person's face and telling him to get out.

If the President of the United States wants this system to work, he must first go out and see what are the fallacies of it and why it is not working. It can work if properly implemented; but with the bureaucratic paperwork that it takes to get this problem solved, it is a nightmare. In our county alone, in the loan guarantee program, we have had one banker worked his fanny off trying to get the system to work, only to have programs that we set up and structure for him, when the cash flow worked, taking down to not only the county office, the district office, but the State office.

We have a farm advocates book right here. It gives us examples of what our rights are to FmHA. Until farmers start speaking up to themselves and to each other, we didn't know what our rights were. We have rights that are guaranteed by law that are being continually violated and misrepresented.

When you take a farm plan, it has to be done in pencil; that's the way the law states. You turn it in to the FmHA officer; you sign it. That's the way it's supposed to be. We have got documented proof where FmHA county supervisors and the State has erased—in other words, changed—yields, changed production to where the person couldn't qualify. This is wrong. FmHA is designed to help the farmer, not be his lynchman or his hangman for what he is trying to do.

Patrick Henry once said, "Give me liberty or give me death." Gentlemen, agriculture is saying, "Give me parity and I'll pay my debt."

Thank you.

Mr. PENNY. Thank you, Mr. Erickson.

The program that is in place has only been useful in a handful of circumstances. Nationwide, as I understand, there have only been 20-some loans that have been approved under that guarantee program. I know in my own State of Minnesota, though there have been plenty of applicants, there have only been two of those loans processed and approved, those loan guarantees. So it does reinforce your message that the current credit program is not sufficient and is not working, and it's for that reason that we've worked so hard on this committee over the past month to pass a better credit program.

Our next witness this morning is Mr. Kirby of Waynesboro, VA. Terry, we welcome you to the committee and look forward to your testimony.

STATEMENT OF TERRY C. KIRBY, WAYNESBORO, VA

Mr. KIRBY. Mr. Chairman, distinguished Members of Congress, other guests, and my fellow American farmers, I want to thank you for the opportunity to speak here before you today.

I want to talk a little bit about my own personal situation. I am Terry Kirby, as you said, and I come from Waynesboro, VA, which is in the Shenandoah Valley of Virginia. I farmed about 300 acres and worked, which I still work, until the fall of 1983, at which time the PCA sold me out.

I'd like to say at this time that there are a lot of farmers here and all over this country that are going through this same situation now, or faced with it. And it's not a very good situation to be in; it's a bad, terrible feeling. It's a hard thing to have to go through. It takes the dignity away from you, and our farmers don't need that. I know, from my personal account, I lost part of a farm that was my family inheritance. I was always taught to work hard, to obey your superiors, and to do right, and you would always come out right; you would always do all right. That's the way my grandparents taught me. I was raised on a farm by my grandparents. That did not seem to work out true to the case.

By working at a factory is how I got started in farming. I worked there and I got a loan in 1964, and I started renting land and accumulating machinery. Then in 1978 I inherited part of a farm, and was able to buy another farm. At that time, the land values were going up and up, and the PCA and all, they encouraged me, and said, "Now is the time to buy the farm. This is a good opportunity. Land is going to get higher; you should do this. It's good management."

Well, when they talk about management today and mismanagement and all this, that, and the other, you can't manage something you don't have.

Well, after 5 years of this, as we all know—I'm not here to keep bringing back statistics and facts; you all are very aware of them, that the land prices dropped, commodities and all kept going down. Even by me, say, working two jobs—and that's something farmers don't need, is two jobs; farming alone is a job by itself, you don't really need another job. And besides, that would be another job that another American really ought to have.

I was forced to go into bankruptcy, which is something I didn't want to do, and then finally, to sell my farm.

It bothers me today, when I pick up the papers and hear the news, about our fellow farmers all over the country and in the Midwest. Some of them have to go to churches and receive food because they don't even have nothing to live on. That's a terrible thing, gentleman. That's like a shoemaker not having no shoes.

As Mother Theresa once said, "I've worked all over this world, the poor, the sick, and the afflicted." And she said, "You know what is worse than having an empty stomach or leprosy? That's taking away what little dignity or self-pride that you have."

And I say today, our American farmers, they don't deserve that kind of treatment. This is a good country, and these are good people. There isn't a one out here that wouldn't do anything for this country. They just want the chance to work and to feed us and pay their debts.

And that's all I have to say at this time. I want to say, God bless America, and God bless each one of you.

Thank you.

Mr. **Penny**. Before we call on the next witness, I want to turn the chair over to my colleague from Texas, Mr. Stenholm. And in doing that, I also want to apologize that I have to leave for another committee hearing, but the farmers here should be pleased to know that the committee hearing is just one flight up, and it's also a committee that's focusing on this farm issue and listening to testimony from other farmers who have traveled here as you have. So again, I want to thank those who have testified so far this morning. With that, I'll turn the chair over to Mr. Stenholm.

Mr. **Stenholm** [acting chairman]. Thank you, Tim.

Our next witness is Mr. Corky Jones from Brownville, NE.

STATEMENT OF CORKY JONES, NATIONAL PRESIDENT, AMERICAN AGRICULTURE MOVEMENT, BROWNVILLE, NE

Mr. **Jones**. Thank you. I want to extend our appreciation for you folks who are having this hearing in this committee, and we really appreciate what you're doing. We appreciate the opportunity to be here.

My name is Corky Jones, and I'm from Brownville, NE. I'm a farmer in the southeast corner of the State; I've got three sons that are farming in my operation with me. We raise corn, soybeans, cattle, and hogs.

I'm also national president of the American Agriculture Movement. By being with the American Agriculture Movement, I've done a lot of traveling and a lot of speaking across the Nation, where we're finding out exactly that just a little spot in the State of Nebraska is not the only place in the Nation that is having financial problems. We're experiencing financial problems all across—I've just finished speaking in 17 States in the past 10 weeks—it is nationwide. We have a crisis nationwide; it's just not intermediate problems in my corner of the State; it's just not in Nebraska, although I think we probably lead the States as far as having bankruptcies, foreclosures of farm and ranch land. Failing lending institutions have probably been as numerous in Nebraska, or more so, than any other State.

But what we're looking at, and what we're seeing, is we have a crisis in America. The crisis is just not out here on the land—not an agricultural crisis, not an urban crisis, we have got an American crisis. This has been brought about, once again, not by poor management or by bad decisions made by the farmers and ranchers across the land, but we have had bad management, bad decisions of Government policies that have come out of leadership across this Nation, leadership that is national leadership from here in Washington, DC. We have had failing farm programs—not by just this administration, but by the past. We must have leadership that clearly recognizes what a very important role agriculture has to do with the entire economy of this Nation. We must have leadership that recognizes that a prosperous agriculture industry is the only way that we're ever going to have, on par, lifestyle in all entities of livelihood, that it's going to be the only method in which we can pay our way, the only method in which the coffers of this Nation are going to once again be adequate. It's the only way that we're going to get rid of this Nation's deficits. It's the only way that we're going to put industry back to work. It's the only way that it's going to put the unemployment lines back into being nonexistent.

This is proven and proven again in the past, when we had parity structure, when we had parity, which means simply one thing, that's equality. When we had parity in agriculture and the farm bills that mandated or went through legislation that allowed us the capability to have parity structure and parity lifestyle, parity prices for agriculture. That once, and only that time, will we have on par lifestyle. Whenever we have a prosperous agriculture, we have a prosperous Nation. No other time. Look it up in the history of the entire Nation; that's when it works.

We have the dire need of emergency farm credit, once again brought out because we've had failing farm programs. We cannot set—we, the producers in this Nation, do not have the capability of setting a price for our own commodities that we produce. It is already set with prices and the price control of corporate structure, of corporations that are in the hands of a few. What we have seen in the past is that the Government loan levels, whatever this level may be, will be the level that our prices are set.

In Brownville, NE we've had prices for corn, and I'm sitting on the river bank, the Missouri River, where we barge—when I left there we had $2.52 corn; we have a loan level of $2.55. This is somewhere around 33 or 34 percent below our cost of production. Statistics have proven—and this is what has come out of USDA—the price and cost of producing a bushel of corn in Nebraska is $3.54. We're a little better than a dollar underneath that.

It's not mismanagement by farmers and ranchers. The mismanagement has been in Government policies and decision making in Washington, DC.

We must address a very important role, and a dire need for emergency credit is definitely needed. We need to have this emphasized. It's got to come through the red tape that we continue to be noticing and experimenting with and existing with and living under, the conditions through our FmHA programs. We've got people in the emergency disaster status that have tried for going on 2 years to get loans that are still going through the paperwork at the local FmHA offices. That is poor management. We are victims of poor management and bad business decisions by leadership.

I see this red light, and I would assume that means it's my turn to be quiet. Is this correct?

Mr. STENHOLM. Take whatever time you need, Mr. Jones. I apologize to you for not recognizing you appropriately as the president of the American Agriculture Movement. I would believe that you may ignore the red light for a few more moments if you would like.

Mr. **Jones**. Thank you, Mr. Stenholm, I appreciate that. Not that I'm any more important than any of these other people back here. What we're seeing this entire week are concerned citizens who are here to correct an injustice, an injustice detrimental not only to the agriculture industry, but to the entire United States.

But we do have solutions that have worked. We do have solutions to offer you today, that we believe it is absolutely a must that we ignore the administration's proposals to even—not only continue in the failing farm program that we have been living under for the past 4 years, but there are administration desires to make it worse by lowering the loan levels, and that's the only competitive bid that we have. By lowering the loan levels, and then to phase out all Government roles. We do not have the capability then to compete with anything other than the money people, the corporates that are going to take over. They are there in position today to purchase the land, and they're standing by like vultures just exactly to do that. Through no fault of our own, we're seeing liquidations of the land across the Nation, of the private enterprise, the farmer, the rancher; not just in one State, but all across the Nation. The pendulum has swung to where the prices are going below the depreciated value of the land because it does not have the capability to produce. We have seen corporate structure intervene by going through the tax loopholes and the tax writeoffs to farm the land for a tax writeoff of outside interests from corporate and foreign ownership. This has got to be adjusted and it's got to be corrected. That is an injustice, a great injustice, to the future and the free enterprise that this Nation was set upon 200 years ago.

The solution that we have is a mandatory supply management, a mandatory supply management that starts out with a 70 percent of parity level, which barely covers the cost of production and in some areas may not, but in increments of increase of 2 percent per year from 1986 through 1996, where we will end up with a 90-percent parity—90 percent of on par. And we understand that there are some people that just can't understand the word "parity" but in Webster's dictionary it's simple, it's "equality." We just want to be treated equal; nothing better, nothing worse, just equal with other sectors of livelihood.

This is the solution. We must address exports and imports into this Nation. We have got a trade deficit never before reached, never before the volume.

We continue to hear also that if we price our products we will lose our export trade. But the only time we have ever lost export trade and the only time we've had embargoes placed against us is when prices were high, never when they were low. We have lost dollar volume, but not actually volume of commodities. Over the 10-year period, we have actually increased our volume of exports from 100 percent in 1973 to 140 percent in 1983, while we have taken 40 percent of the dollar value. That is the loss the Nation's experienced.

We must also address conservation. Conservation must remain a must for the farm program. And I realize once again that the red light's been on quite a while, but I would certainly entertain any questions or any loopholes or any voids that I may have left by trying to rush from one meeting to the other, and I apologize for being late, sir.

Mr. STENHOLM. Thank you.

Are there any questions by any member of the Ag Committee? [No response.]

Mr. STENHOLM. I would respond to your testimony at this point by making a few points that I think need to be made very graphically and very strongly this week.

The difference that the House Agriculture Committee has with the administration's approach, both to the credit bill and certainly to the proposed farm bill, are very clear and they're not budget-oriented. I think this point needs to be made over and over and over again this week. Chairman de la Garza will do so this afternoon. The House Agriculture Committee, as supported—as I believe I'm fair to say—by every person in this room, understands the problem of the budget deficit and what it's doing to agriculture and interest rates and the strong dollar. We understand it as well as anyone possibly can. The bill that's before the House today is an integral part of the budget process for 1986. The House Agriculture Committee bipartisanly has agreed to the freeze concept, plus making some additional reductions in expenditure, as agriculture's share of the necessary budget reduction. The dispute we have with the President is not on spending more than a freeze-plus in agriculture. Our dispute is coming from the suggestion of the Budget Director, Mr. Stockman, that in agriculture we freeze for 1986 at 1985 levels, plus take a 50-percent cut—50-percent real cut—in expenditures in agriculture over the next 3 years.

And I want to make this point very clearly for the press, because so often we do not get a fair shake in the press, this last week and this week, concerning the budget. The difference the House Agriculture Committee has is again tied up in a belief and a concept that we might possibly take the full 50-percent cut; we might consider that if, at the end of the 3 years, we would have a balanced budget for our Nation's Government. But it's very, very difficult for those of us who come from rural areas, and as a farmer myself, and those of us who represent rural districts, to have suggested that our fair share of deficit reduction is 50 percent from a freeze baseline, and we still have $144 billion debt at the end of those 3 years. That's the dispute that we're having between the House Agriculture Committee and the House of Representatives and the administration.

It's not that we do not believe that we should make reductions. We do. I've heard this said by more than one of you this morning—"We'll take our fair share," but Mr. President, it is not fair to take 12 percent of the total cuts out of 3.9 percent of the budget—more accurately, out of 1.8 percent of the budget that goes directly to farm-related programs—soil conservation, rural electrification, price support. It's not fair and totally unworkable to think you can make that kind of a cut from an industry that's on its knees. That's the basic story that's being told last week, this week, and is going to be told.

This one Member certainly agrees with you that our current farm programs are not working, and they need to be changed. I totally agree, and I believe I'm accurate in saying that there is overwhelming support for that on the House Agriculture Committee—I'll let other Members speak for themselves on that.

I think there is a consensus building in the House and on the House Agriculture Committee around three general proposals, and you've touched on most of them. Budget responsibility is absolutely critical. If we don't do something about our Nation's deficit and the strong dollar, there's no way the American farmer is going to compete in the future and all of us are going to be down testifying, as we've heard from many this morning that are already broke. Budget responsibility is imperative, and there is no disagreement in farm country from most anyone I've heard from that disagrees with that.

The second major point is that what we do on the farm legislation must improve farm income—price. That, there is an agreement. How you do that, it must take effective supply management, effective supply management, and I define that two ways: controlling of production to have supply and demand meet, and better marketing, including export.

Now, we don't all agree—and I won't get into this this morning—about all of the road map of how we get there. But I think there is substantial agreement.

And the third prerequisite of this year's farm bill is that it's got to be something that is passable. Unfortunately, when we go through what we've gone through the past week and what we'll do today and it gets a veto and it cannot be overridden, we will not have helped you very much. The challenge to us is to put together a package that is budget responsible, that will improve farm income, and that we can pass. And I, for one, am dedicated to that and I believe I speak for my other colleagues up here today. I thank you for your testimony, and all of you for being here this morning.

Mr. JONES. I would like to add one thing, Mr. Stenholm. That is the reason we started out with the 70 percent, with the mandatory supply management, and make the citizenry aware of the fact that it is on the loan level and it is paid back with interest. It's worked, and no exposure to that budget; and this parity concept has worked for 10 years, from 1942 to 1952, very effectively. And it also even returned money back into the coffers at that period of time. This has got the very same capabilities.

Mr. STENHOLM. Mr. Jones, you know, I'm going to fuss with you and you're going to fuss with me, as many of you have——

Mr. JONES. We have been doing that before a couple of times, yes, sir.

Mr. STENHOLM [continuing]. About some of my concepts and the different road map of how we get there. That's what's healthy, and that's what these hearings are all about, and that's what we're going to be going through over the next several weeks. The important thing is the end result, and that's what you're interested in, as well as all of us are.

Mr. JONES. Parity prices, sir. Parity with other sectors of livelihood.

Mr. STENHOLM. From the market.

Mr. JONES. You're right.

Mr. **Stenholm**. I'd like to introduce my colleague from North Carolina, the chairman of the Tobacco and Peanut Subcommittee, the distinguished member of the House Agriculture Committee, Mr. Charley Rose.

Mr. **Rose** [acting chairman]. Thank you, Charley.

The committee will be in order.

We are happy to have so many of you in town today. I come from North Carolina, and have a rural district that depends very heavily on agriculture. I've been meeting with my county commissioners this morning and they are telling me what falling land prices are doing in their area and what the prospects are for agriculture under the proposed Reagan farm bill.

We have Mr. Leland Miller—is that right?

Mr. **Miller**. That's right.

Mr. **Rose**. Mr. Miller, you're from Queen City——

Mr. **Miller**. Schuyler County, northeast Missouri.

Mr. **Rose**. All right, sir. We're delighted to have you. You're representing what organizations?

Mr. **Miller**. I will bring that out in the testimony.

Mr. **Rose**. All right. You can go ahead. And the lady that's with you, Mrs. Schweiker?

Mrs. **Schweneker**. Schweneker.

Mr. **Rose**. Thank you. Where are you from, Mrs. Schweneker?

Mrs. **Schweneker**. I'm from Seneca, IL. I'm in Congressman Madigan's district.

Mr. **Rose**. We're delighted to have both of you. Mr. Miller, you've been waiting at the table; would you go first, please, sir?

STATEMENT OF LELAND C. MILLER, QUEEN CITY, MO

Mr. **Miller**. My thought as I was sitting here was that we do not need a 5-cent cigar, what we need is a restructuring of the cash flow on the national debt.

I'd like to qualify myself just a moment, if you would. I have prepared here two documents which I have submitted to you, and they have been prepared over a period of the last 5 years. In 1976 I made a sentimental drive of 8 days to Jeff City in the wagon trains; it took me 5 years, not knowing in the beginning that I was doing this, to prepare that team and wagon to make that drive.

Recently I've had an illness that has caused me a little problem with my emotions, and also maybe a little bit of my memory, so I'd like to read you the condensed area, mostly, from this last document.

Mr. **Rose**. All right. Do you have a copy of it?

Mr. **Miller**. Yes. I have it here, and I prepared this part to meet my Congressman but Mother Nature filled the roads high with snow, and I didn't get to him.

Mr. **Rose**. You just take your time and relax and we'll be glad to hear from you.

Mr. **Miller**. I've got a lot that I want to cover.

I entitled this, "130 years on the family farm, 50 years as a farmer, and no place to go." And so it is with this document. I spent a number of times with it; didn't know what I was doing in the beginning, and it is here for us today. And as brief as I can, I have prepared the following article, using many quotes to explain the concept of parity.

I feel that as an observer, the news media does not grasp the meaning of parity. I feel that the farmer does not grasp the depth and the meaning of parity. I feel that most Congressman, either by misunderstanding, or by self-satisfying design, refuse to do what is necessary to develop a balanced economy that is financially good for everyone—namely, parity.

I have several statements and quotations that I would like to relate to my Congressman, and perhaps you would like to do the same with yours—this is what I'm saying to the folks behind me.

Let me say first that I do this with malice toward none. My statements are in no way intended for my Congressman to take personally; they are for all lawmakers. My attack is toward myself and toward my fellow men who have allowed the thrust of our economy to go in this direction, who have allowed the farm market system to operate, which I believe is illegal, and one which the farmer not only does not understand but has no power to control.

Our Constitution calls for the producer of raw products, labor, and capital to operate on a par economy, today called parity. Our forefathers recognized that as the only way a democracy could operate, and we did for 175 years. And where did we go astray?

The Constitution requires that the Congress take the responsibility to issue and regulate the value of money within the realm of secured requirements. Since 1940, the issue of new money without security required by the Constitution, has run rampant.

Just ahead of us, our Government has committed to create billions of unbacked dollars to keep the American banking system alive. And I say, Heaven help our children.

What do you think of our Department of Agriculture, our Congress—yes, even the President of the United States, who will attempt to stabilize our economy while in violation of the Constitution itself? It is impossible to explain our Government's lack of responsibility of the past 30 years. And I say yes, it's illegal regulation of the value of money. And why has this not been brought to the limelight?

I know my family's history for 130 years on the same land. I can chart that time that par economy was protected from 1854 to 1985. Until the reinstatement of the constitutional control, any attempt to solve our problem will be futile.

I know that we have to address the present time. I'm not here in desperation, but I'm here in support of my fellow men. We have to address that for our farmers now, and to do whatever it takes now.

Congressmen, do your responsible duty to examine what needs to be done to control the ship of state, or Heaven help us now.

Labor and production of raw materials cannot be separated. Lincoln said that when he told the people, when they were wanting to buy the rails for the railroads out of England, but he says if we build the rails ourselves, we'll have the money and also the rails.

In the time between 1910 and 1914 was a period of time between—and also a period between 1946 and 1950 could be another.

President Carter's director of economics, policy analysis, and budget for the USDA criticized the 60-year-old base by calling it a horse and oats base.

Parity has long been a factor in the economy, even before people recognized it as such, just as surely as 2 added to 2 equals 4. Long before people could count, just as surely as the source of new wealth has always been the soil. Just as surely as the laws of the universe were in place 1,000 years before we mastered it and set foot on the Moon.

Par exchange is a basic, natural economic law. There is only one way to conquer a natural law, and that is by obedience to it. In 1942, while World War II was in progress, the Stability Act and the Steagall amendment were enacted, along with farm price controls. These measures placed a mandatory 90 percent parity on most far crops. The balanced economy paid for the war, financed much of the restoration costs around the world, and stayed on par. If that isn't a lesson, I'd like to know one.

Mr. ROSE. Mr. Miller, let me invite you to notice that we've got a red light on there. Kind of summarize a few more points, and we'll take your full statement for the record, sir.

Mr. MILLER. All right.

Mr. ROSE. We want to give as many witnesses an opportunity as we can.

Mr. MILLER. This was made in 1981. A dollar made by the family multiplies itself four times to the local main street economy, and seven times in the national economy. For each dollar shortchanged to new wealth, the Nation suffers sevenfold. There is only one way our President can balance the budget or make the Nation economically well without this law being obeyed; and when he said on the television, "I will balance the budget," I knew 30 years along—I'm pretty near his age—that it couldn't be done.

Mr. ROSE. You've got an excellent statement and you're bringing out some very good points. I think you know you're preaching to the choir, though; we agree with everything you say.

Mr. MILLER. OK. Just this for a finish.

It is not a matter of which political party has been in power; the trend is always the same. We have been warned that this was coming. I have been a director involved in the formation of two farm organizations, the Missouri Farmers Association and now the American Agriculture Movement, and I know there are few in Congress who understand power economy, new wealth, parity. I am not so certain about our President. Some say we are descended from the monkey, and I look around me at the wonders of this world and how the intricate parts dovetail together, and I cannot help but wonder how many monkeys it took to figure it all out. My friends and family tell me that this struggle is consuming me. What a wonderful way to die.

Mr. ROSE. Mr. Miller, that's an excellent statement and we appreciate the time and the effort that you put into bringing that to us.

I've been on the Agriculture Committee going on 13 years and I think I see in the farm economy right now probably the biggest crisis that I've ever seen.

Mr. MILLER. No doubt about it.

Mr. ROSE. It's incredible to me—and you might as well talk about it, because you've got to put the responsibility where it lies. People who live in rural America are very respectful people, and I think a lot of them. I think that's something that's part of why rural people are so strong, is because they are respectful. And you know, they kind of hesitate to say what they think the problem might be.

Well, I'm going to tell you. The problem that we're facing right now, currently with agriculture in this country, is that David Stockman and Mr. Reagan believe that there is something out there called a free market economy; and that if suddenly all of the agriculture supports are taken away, that a free market will operate.

Well, I wish there was a free market in the world.

Mr. **Miller**. So do I.

Mr. **Rose**. But every other country in the world has some kind of protection for their farmers. And for the administration to ask for our farmers suddenly to become a free market group when everybody else in the world has protection is literally throwing them to the wolves.

I'm not going to be a part of it, and I don't think this Agriculture Committee is going to be a part of it. And all of us on the Agriculture Committee approach this in a very bipartisan manner. We believe in the farmer; we believe in rural America, and I don't mean to sound bipartisan in what I'm saying. We work together closely in this committee, Democrats and Republicans, because we understand the importance of the family farm and rural America. We respect you and your organizations, and the American Agriculture Movement, in my opinion, is one of the greatest grassroots farm movements that's ever taken place in this country. And I'm proud that you all are here.

Mr. **Miller**. It came in, in its time.

Mr. **Rose**. Yes, sir.

We thank you for your great statement. All of it will be made a part of the record, and thank you for your trip to Washington.

Mr. **Miller**. One more for the record. Just a moment.

For the last 30 years I've studied and followed this, and I have followed this and outlined it with my family history through good times and bad. I have some statements here that I would like to read to you, and they are compared with turning points of history.

Patrick Henry says, "give me liberty or give me death," and I've got a couple others in here, but right here is one—recently Wayne Cryts, a farmer from Missouri, made this statement. He has said, "If you will help us solve our problem, we will solve yours."

And then last, from my hometown, Donna Shoop, who at a congressional hearing in Washington, DC, said, and I believe this should be a turning point as great as ever issued in history: "We are here, Senators, as responsible"—take that word responsible out of there, it means nothing—"as responsible farmers trying to do what we can to solve our problem. We are asking you, as responsible Senators, to ensure that our Government will act to save the family farm."

Thank you.

[The prepared statement of Mr. Miller appears at the conclusion of the hearing.]

Mr. **Rose**. Thank you, Mr. Miller.

We are very honored to have as our next witness Mrs. Sandy Schweneker from Seneca, IL.

Thank you very much for being here. You're here representing the American Agriculture Movement, and I believe you said you were from Congressman Madigan's district?

Ms. SCHWENEKER. Yes; I am.

Mr. ROSE. I went to his district one time to see how you all grow corn. They tell me we don't know much about growing corn down in North Carolina, compared to the way you all grow it up there. And you've got some mighty pretty corn, where I was. I hope everything's going to be all right for you.

Go ahead, Mrs. Schweneker.

STATEMENT OF SANDY L. SCHWENEKER, SENECA, IL

Mrs. SCHWENEKER. Thank you.

My husband and I and our three children live on a farm in Seneca, IL. We are family farmers. My grandfather is a farmer; my father is a farmer; my husband is a farmer. But unless things change, my 11-year-old son will not become a farmer.

This committee is to be commended for holding this hearing, and I thank you.

Fifty years ago, my grandfather drove from Seneca, IL, with a delegation of other farmers across the Nation to see the President and meet with him on the farm problems. At that time he was given a letter from the president of the Farmers Union, and it said, "Please allow"—it was written to the Governors of the States that he was traveling through—and it said; "Please allow these farmers to come through your States. They cannot afford license plates."

Gentlemen, the credit situation in Illinois and across this Nation is very serious. I don't have to tell you that; I think you can see that for yourselves. So I will get right to the point and tell you that if the farmers of this Nation handle their growing crops as irresponsibly as President Reagan, David Stockman, and Secretary Block have handled our Nation's agricultural policy, there would be a huge food shortage rather than the reserve supply we have today, which I believe to be rather modest, anyway. I've heard that we have something like a 7-week powdered milk supply, and something like a 2-week soybean supply. And how long would that last if this Nation faced a drought similar to what they face in Ethiopia and across Africa today?

President Reagan apparently has been led to believe that interest rates have come down to levels at which businesses can begin to feel some relief. Well, gentlemen, I want you to go to the White House, seek an audience with him, and tell him that my bank in Seneca, IL, which is a small country bank, is still charging 15.75 percent interest on a machinery loan.

The first time around I voted for President Reagan because he said he understood the problems that high interest rates cause businesses, and he would do everything to bring them down to a reasonable level. I do not consider that reasonable. In fact, my husband sat down and figured the other day that breaking our interest down on a dollars-spent-per-day, we spend $25 an hour on interest to own and operate our farming operation.

Interest rates at the Federal Land Bank are still around 12.5 percent on a floating rate. And remember, when farmers borrow money, they must do it in the hundreds of thousands of dollars. For a medium-sized farmer in Illinois who is purchasing a farm and is using credit for machinery and inputs, $400,000, I would say, is not an unusual amount to be indebted. So when we're talking this much money, you can see what high interest rates can do. They can and have been a killer of many farm operators.

Many of these people with $400,000 investments now live at, near, or below the national poverty level, and this is a national disgrace. They farm too much to spend their time at a full-time job away from the farm, and not enough to make a living.

By now all of you have heard David Stockman's uneducated remarks concerning farmers. It is truly a shame that a Government official who is in charge of something as important as the Nation's budget is so ignorant about the economics of agriculture—which, by the way, happens to be the economic foundation this Nation stands on.

Mr. Stockman said that for the life of him, he didn't see why the taxpayers of this Nation should be obliged to help farmers. Well, I want you to see him and tell him why. Tell him the taxpayers of this country are obligated because the farmers of this Nation have been, and still are, the frontline soldiers in numerous trade battles the United States has fought over the years with other countries. Maybe Mr. Stockman doesn't remember four grain embargoes in 10 years, but I do; and maybe he doesn't remember, either, that three of these were put in place by Republican administrations, one time because soybeans got too high.

Each embargo cost us markets; and, in fact, they are directly responsible for the competition we face from Argentina and Brazil in our corn and soybean markets today.

As I understand it, the Japanese invested heavily in South America during the first embargo, and expanded the soybean acreage there. They are currently harvesting in Brazil now, and it's dropping our markets.

You can also tell Mr. Stockman that those embargoes were put on by a party who stood for less Government intervention and a free market. This administration is still telling us about free markets. Well, I will say, by looking at past policies they must mean they want the American farmer to give them the grain for free, and it's getting close to that, gentlemen.

The U.S. Government is obligated to help farmers not only because its foreign policy decisions have hurt agriculture so much, but also because its fiscal policies have hurt us. Mr. Stockman and others in Government have done a lot of bellyaching about agriculture being so expensive. And yet I don't hear much any more about the $600 toilet seats the Government installed on its airlines, or the bailout of Continental Bank, whose irresponsible directors lent money to nations that will never pay it back.

I hope Mr. Stockman is reminded that the Government had to borrow the money to buy that toilet seat.

Oh, how we often tolerate in ourselves what we criticize in others. It is these wasteful policies that have kept the Government in the money-borrowing business, competing with the farmers for money.

You should also remind him that farmers don't get pensions when they're old. That's why they buy farmland when they are young, and sacrifice through their younger years for security when they do get old. Apparently Mr. Stockman didn't know that, even though he comes from a farm family.

It says in article I of our Constitution that Congress shall have the power to coin money and regulate the value thereof. Well, gentlemen, Congress does still coin it, but they definitely do not regulate the value of the U.S. dollar any more. As you know, the U.S. dollar floats on a world market. Its value is discovered by traders throughout the world; and, quite frankly, this policy is literally killing agriculture. The high dollar relative to foreign currency is costing us access to markets we desperately need, and the dollar's strength is a definite reflection of high interest rates.

In August 1984 I heard Professor Shue, now of the World Bank, speak; and he said that if the dollar remains this strong relative to the Brazilian cruzeiro, we could lose our soybean industry in America.

I hope Mr. Madigan, who is my Representative and on the Ag Committee, realizes who the leading soybean State is in this country. It's Illinois.

Gentlemen, we have reached an emergency situation in agriculture, and the farmers of this country do not have time to wait while politicians and bankers argue over what to do. Write down principal, write down interest, cut defense spending. We just don't have that kind of time. The Secretary of Agriculture has the authority to immediately raise support prices on commodities. He has that power for a reason, and I suggest you demand he use it now. The support prices were enacted to ensure that farmers were not forced to sell grain in a depressed harvest market, or pledge all assets for an operating loan for a commercial lender.

Today's loan rate is set at disaster levels relative to the U.S. cost of production. A proper adjustment of the loan rate is important, not only for agriculture, but also for the economy of the entire country. Since agriculture is the biggest industry in America, it has a huge impact on the economy of this Nation.

And to quote and add to Elliot Janeway, "The depression of the 1930's was spawned in the cornfields of Iowa and Illinois. It was farm bred and it was farm fed." We need to take a good look at history. When we do, we will see that many of the things written into the past farm bills were not so dumb after all, and are far less expensive than having a depression with millions of unemployed workers to whom we must pay unemployment benefits, not to mention the billions of dollars in lost tax revenues from agriculture.

I have heard Secretary Block's reasoning for leaving the loan rate so low and wanting to dismantle it. He claims it is so we can clear the world market. I have, however, never heard him say where, how, or at what price the world market is set, and I honestly don't think he knows. But the USDA does know, and they have these figures. Support prices range from $3.32 for corn in Brazil to $4.47 in France, West Germany, and Italy, all the way up to $10.36 in Syria. I have always been told that the guy who sells the cheapest sets the market.

In spite of what Secretary Block may tell you, America already sells the cheapest. To prove it, look at exports in the last 10 years. They have risen 143 percent, while farm income has fallen by 40 percent. Russia is currently on a grain-buying spree, and she's buying from the United States. And we are subsidizing her. Other countries subsidize their farmers because America's cheap grain undercuts their markets. They now find it less expensive to dump their excess grain on the U.S. market than to spend the money and store it. So no matter what price U.S. grain sells for, other countries will offer their grain at a cheaper price. And if we're so overpriced, why is it that the American consumer spends less disposable income on food than any other nation? Somewhere around 16 percent, and this includes beverages, such as wine, and eating out in restaurants.

The best thing that you can do to ease the credit problem for the farmer coming into spring without money for planting is to pass the credit relief bill and then demand that Secretary Block raise loan rates immediately. This will get the price up at the Board of Trade and that's where the cash price is determined.

Bring the farmers of this country a realistic farm bill which gives us a mandatory set-aside so that both farmers and land owners can participate.

More funds should be released to Farmers Home Administration—immediately. The $630 million allocated for 90 percent Federal loans guarantees where the banks write down principal and interest should be used for this purpose instead. The banks aren't going to do it anyway.

In my opinion the economic emergency loans should be reinstated to Farmers Home Administration because farmers have no more control over abnormal economic conditions affecting commodities than they do hail storms or droughts.

Tell the Federal Government to "put a lid on it" and by that I mean on interest rates, Congress should set a reasonable ceiling on interest rates—because it appears that many banks do not narrow their spreads as interest rates drop. In short, get some regulation back in the banking and money fund, savings and loans and so forth.

If Congress doesn't want to set a ceiling on interest rates because of the Federal Reserve then do away with the Federal Reserve Board so Congress can once again control the value of the money it coins and we can sell our products abroad.

Representative Henry Gonzalez (D-TX) has introduced H.R. 591, which limits interest on debts of over $300 to 18 percent and under.

Demand a write down on the principal and interest paid by the U.S. Treasury to the Federal Reserve. Demand a write down and see how far you get. They won't write it down any more than the small banks will write loans down for farmers. Interest payments on Federal debt is now one-third of yearly budget.

Farmers in this Nation are not asking for a handout. We are simply asking for some decent and fair refereeing when the game gets rough. You must remember cheap grain benefits large corporate cattle feeders with tax loopholes and multinational grain companies, not American farmers, not American bankers, and not the American people.

I will leave you with this last thought from a fair-minded American.

> Every man is equally entitled to protection by law; but when laws undertake to add artificial distinction, to grant titles, gratuities, and excess privileges, to make the rich richer, and the potent more powerful, the humble members of society—the farmers, mechanics and laborers,—who have neither the time nor the means of securing like favors for themselves, have a right to complain of the injustice of their government.—ANDREW JACKSON.

And then, as everyone has told you time and time again here today, we have to have a mandatory supply management program. It's absolutely necessary. It's totally unrealistic in this modern day and age to think that we don't need one. We really do.

Also, I do want to say something about the $630 million that was allocated for Federal loan guarantees. I asked my banker about that loan guarantee, and he told me that he didn't get any information on it. And he said that they usually do get information on programs like this, so he didn't think he was eligible to do anything like that, anyway. And then he said, "And besides that, I have twice the collateral to secure your loan." So he's not interested in that program.

Mr. ROSE. I would advise you that when you get in a situation like that, call your Congressman and ask him to get you the forms or the information you need. You'll probably find out that your banker's still not interested, but at least you can get the information.

Mrs. SCHWENEKER. I would suggest that Congress ask the Federal Reserve Board to write down the principal or interest on the national debt and see how far they get.

Mr. ROSE. Very good.

You made one of the best statements—I hadn't heard many this morning, but you made one of the best ones I've ever heard on this subject. That was an excellent, excellent statement.

Mrs. SCHWENEKER. Thank you.

Mr. ROSE. I want to tell all of you how much I appreciate your being here. We are rotating members of the Agriculture Committee through these hearings so that we can go to another set of hearings that's also in progress.

I have a suggestion that I hope somebody down at the White House will follow. John Block is a graduate of West Point. And with his military background, I think we ought to find him a new job, and I think his new job should be Secretary of Defense. I think John Block with his attitude toward budget cuts would do well down at the Department of Defense.

The man that I want to replace him with at USDA is Caspar Weinberger. He has never yet said there should be one nickel cut in the Defense budget. We need a man like that fighting for us at the Department of Agriculture.

I'm going to turn the gavel over to Tom Daschle, a great fighter in agriculture, somebody that I'm sure you all know, and the father of the legislation that is now moving through Congress that will give the credit relief, we hope, that we all desire. Tom Daschle can talk to you about the details of his legislation, but I was present the other day at a leadership whip meeting in which Mr. Daschle explained to the Speaker, the majority leader, everybody in the House Democratic leadership, what his credit legislation would do. So the man that's going to take the podium next is your friend, and he will moderate for the next quarter or half hour or so.

Thank you all for being here.

Mr. **Daschle** [acting chairman]. I want to welcome all of you. I know that you've been welcomed, probably, by everyone who has been in this chair already, but it's meant sincerely, and to repeat it only adds to the real gratitude that all of us have in the fact that you are here.

Charley mentioned the fact that this credit bill has worked its way through the Congress. I will take some credit for that bill, but I can't come anywhere near to taking anywhere near all of the credit because the person on my left is largely responsible for generating the tremendous support in the House among Republicans for that bill. His name is Tom Coleman; he's from Missouri; he's the ranking minority member on the Conservation and Credit Subcommittee. He did a yeoman's task last week in mustering the kind of support, in going before the Republican caucus, in arguing with those who opposed him for the need for this legislation. And I thought we saw the results unequivocally last week. The Senate squeaked out a bill because they didn't have Republican support like we had on this side—I should say Republican leadership. The House overwhelmingly approved the bill because we had leaders like him and others who were willing to stick their necks out and go against the grain and show the political courage that sometimes you have to in order to do what is right. He did what is right, and he is with me, and it's an honor for me to serve on the same podium this afternoon.

Mr. **Coleman**. Will the gentleman yield?

I thank you for those kind comments, and I think that the thing I'd like to emphasize would be what Congressman Daschle said. In the House, we did not make this a partisan issue. In the Senate they did, and as a result I think they have produced a product which is inferior to the one Tom and I have put together in the House. Unfortunately, you will see, in the next several hours, that we will be faced with the unfortunate result of having to support their inferior product, either on a vote up or down, here in the House this afternoon to send to the President.

I would much rather send him our bill than their bill—not because of pride of authorship, but because it is a better bill and it should be more supportable.

My concern is that we're not going to have any assistance become law because it is going to—and has—kind of degenerated into a partisan-type of position. I would hope that somehow we could sit down with the White House and with the Senators and with the leadership over here and come up with some proposal that could be agreeable to everybody, because sending bills down to the President for a sure veto is not going to help anybody in this room. And yet that's really what we're faced with today, because he's already on record as saying he would veto the Senate bill.

So it's with a lot of cynicism that, frankly, I'm entering into this thing this afternoon, and I know that Tom would feel that his bill is superior—I would hope he would—I think it is. And from that standpoint, I thank the gentleman for his kind comments. We'll hope to always work in a bipartisan fashion where possible, and recognize that the problems that you have don't have Republican or Democrat solutions, and we recognize that here in the House. Unfortunately, it's now become larger than the gentlemen sitting up here and becoming more of a bigger mosaic of national politics, which I'm not really sure how it's going to help you.

Mr. **Daschle**. I share the view that you've just heard. I think that the House bill was the product of a month's worth of very careful deliberation, putting together what we thought was the very single best package that would meet the criteria that we had set out, providing immediate credit at very little budget exposure in a way that could be easily administered. As a result of our product, I thought that we were all quite satisfied with the vote and with the way that it was progressing.

Unfortunately, we're told the Senate is not even interested in considering our bill in conference. They appointed conferees and all but one opposed any sort of additional assistance for farmers for immediate credit. So going into a conference that is so stacked against us in that regard is tantamount to the situation we're in today, in sending the bill to the White House. In both cases you're up against a brick wall. Our only hope might be that somehow we can override a veto, which I think is highly unlikely in the Senate, or—as Congressman Coleman has mentioned—find some common ground in the next few days that might yet resolve this issue.

But your presence here, I think, will help act as a catalyst in drawing additional national attention to the issue. With additional national attention, hopefully, additional understanding and ultimately additional support. We will be successful. That's why you're here. You're not here to listen to us; we're here to listen to you, and I want to call on our next witness, Mr. Ed Berry.

I might say that, given the tremendous number of witnesses who want to testify, and given the fact that we may have to go on the floor to take up this bill sometime in the near future, I'm going to try to hold our witnesses to 5 minutes in the hope that you'll understand the critical nature of our timing here, and that we can therefore get more witnesses before us.

Mr. Berry, we're delighted you're here; if you'll begin with your testimony, we'd be very happy to take it at this time.

STATEMENT OF ED L. BERRY, GLENWOOD, MO

Mr. **Berry**. Mr. Chairman and Congressman, we sure do appreciate you granting us all the privilege to come here today and be able to testify. And I'd like to thank Mr. Coleman; he is from my home district. We are from Schuyler County, MO, or I am. I also represent the Schuyler County ASCS Committee; I happen to be the chairman there.

What I would like to relate to you today is some of the things I see there as a committee member on that ASCS Committee. The farm problem is not only with those who have overexpanded and overbought. Those people, we have bypassed a long time ago. They're the ones that are already down. The people we see coming into that ASCS office are people that are all the way from retirement age to young, beginning farmers, and a lot of them are in trouble out there. And a lot of it is no fault of their own.

The one thing that they don't have today is profit. There is no way in the world that they are going to be able to produce corn and beans, cattle and hogs, sheep, or any of the major commodities that are raised in our area, at a profit. They're just not making it. I see many older farmers coming in there saying, "I don't know what I'm going to do. I haven't made a profit for the last 2 or 3 years, and I'm going to be retiring here before long, and I haven't even got any Social Security base here for the last few years." A lot of them are saying, "I can't afford to retire. I've got to keep farming this old farm. I finally did get it paid for and we're scratching along, but we can't afford to rent it to someone and just retire on Social Security because we won't have enough income."

And the young farmers out there are really in a bad predicament because they're not only losing money on the farm; if they're a true family farmer, they're having to borrow their income. They're actually borrowing themselves a living, and you know what that does—that's putting them down faster than anything you could ever believe. And they say, "Go out and get a part-time job." That's what the FmHA says. Well, if you could get a part-time job, or maybe you can cut this farming operation down to where you can get a full-time job in town—well, our economy in our area is so badly depressed, I would like to find a full-time job because I think maybe I'd rather work someplace else as farm myself. I farm about 670 acres, which is divided pretty well equally between pasture, grain, and some hay crop, and we're not making it. We bought our farm, part of it, in 1976. We bought 200 acres, and the rest of the land we rent on a cash-share basis. And we bought that land at $350 an acre. And of that 200 acres, 150 of it is pretty doggone good, productive soil for that part of the country. We're basically about a 70-percent pasture area and about 30-percent row crops.

But that land wasn't bought high. The last piece of machinery I bought was in 1978; I bought a new tractor. I thought I needed it. I'm not too sure I needed it at all; I think maybe I should have just quit then.

But anyway, what I'm trying to say is, the people that are in trouble out there right now are people who did not over-leverage themselves in the beginning. They are people who are becoming, as the younger farmers are, way over-leveraged because they're having to borrow a living and they're losing money, too. The older farmers are in such a tight squeeze that what income they do get is very minimal and they can't afford to retire. And when they can't afford to retire, that doesn't leave an open door for a younger farmer to come in. The door is almost closed on younger farmers. I'm on an advisory committee to the local FFA chapter there, and right now, in vocational agriculture, they are not recommending that any young man go into farming because there is no opportunity. We're stressing that right now, if they go to college, they should try to find something that is not on the land. And that is not right. That wasn't what vocational agriculture was intended to do, necessarily. Sure, we need vocational agriculture graduates who are going out in agribusiness and doing good jobs out there, working for agribusiness, but we need some of them going back out there on the farm. We need those new ideas. We need that young blood out there, and we're not getting it.

Also, when it comes to this budget, I can see some things that are going to happen out there since there's no profit. Since I started on the ASCS committee, we had almost no delinquent loans of any kind on grain handling equipment, on grain bins—we didn't have people out there that were taking their grain to town; and then whenever you'd go and inspect it, my God, there wasn't any grain there, and then they didn't have any money, either. We get faced with that situation a lot, too. We're getting grain bins back, now, just right and left. People come in, "I can't pay for that thing. I need an extension on the loan. I can't even pay the interest." And we're going to have to sell those bins. And when we have to sell those bins, do you know what they're selling for? About 10 cents on the dollar, if we can get a bid. We've had two bins that we can't even get a bid on; nobody's interested in them. And they're not real big ones; they're around 7,000 or 8,000 bushel bins. That's how poor it is.

There's land in our country you can't hardly even rent for pasture. One fellow said he had some pasture land and he said if he got what it cost him for his taxes, he would be lucky.

Well, I want to thank you very much and give other people time to get up here, so I thank you again very much. And I would like to thank Mr. Coleman again for supporting this legislation that we have right now as far as trying to get some money out there to these farmers, and I hope he continues his support of it.

Mr. **Daschle**. I want you all to know that he did that without a note. When you speak from the heart like that, you can speak pretty eloquently with or without the help of additional written material, and he did it very well.

We have had two members join us up here that you may recognize. Webb Franklin is a Congressman from Mississippi who has been very actively involved with all of this. Next to him is Congressman Combest from Texas, a member who has just joined the committee. We are delighted to have them aboard as well.

We will take our next witness who is Vicky Hale from Minnesota. Mrs. Hale, we are delighted you are here, and you may proceed at this time.

STATEMENT OF VICKY E. HALE, VICE PRESIDENT, NORTHERN MINNESOTA, AMERICAN AGRICULTURE MOVEMENT

Mrs. **Hale**. Thank you. I am delighted to have the opportunity to speak with you. It is much more enjoyable to be in Washington, D.C. right now, as I am sure Congressman Stangeland would agree with me. We have about a foot of snow on the ground and blizzard warnings are out.

My name is Vicky Hale. I am from Wolf Lake, MN. I am vice president of the American Agriculture Movement for the northern part of Minnesota.

My husband, Victor Hale, and I farm 160 acres and we raise pork. Out of Becker County where I live I would say that the pork farmers are about 1 in 10. The rest are dairy farmers.

Right now, President Reagan's 1985 farm bill will jeopardize three-fourths of those dairy farmers if it goes through. We are talking about milk at $9.96 per 100-weight. It stands at $11.25 now, and that is over a period of 18 months. I think I am correct on that.

I consider that a fairly slow decline in the sense that it will decline slowly enough that those dairy farmers will go out one or two at a time, whereas if it were $9.96 per 100-weight right now, they would go out in large numbers. I resent the slow decline for the fact that the slower they decline going out, the more unaware people are as to the tragedy that is taking place on the small family farm.

Also, the label of poor management is slowly starting to die, and I am glad to see that because I think it is a label that has been put on the family farmer unjustly. My husband, Victor Hale, received three scholarships when he graduated from high school, one of which was from Dartmouth. My husband is an achiever. He has at no time ever deserved that label.

I am convinced that the farmer is right, and my husband has a comment that he uses with me quite often. It is that hell hath no fury like a woman scorned. My husband is convinced that even if we do lose that farm due to circumstances beyond our control that I will not quit until the family farmer has received 100 percent of parity and is ensured a future on that farm.

I thank you.

Mr. DASCHLE. Thank you very much. Is Victor here, Mrs. Hale?

Mrs. HALE. No, sir. He is home.

Mr. DASCHLE. Well you represented him and your farm very well and all the Minnesota farmers very well. Thank you for sharing that with us.

Brian Berg is our next witness. He is from Waukon, IA. Brian, we are delighted you are here. Please proceed.

STATEMENT OF BRIAN L. BERG, WAUKON, IA

Mr. BERG. Thank you.

Five years ago, when I graduated from high school, my parents thought of retiring. They went to their bank, and the bank told them that if they waited 5 more years when I would be out of college, their profits would double. They waited 5 years, and I lasted in college 2 years when budget cuts forced me to quit because I was no longer eligible for student aid.

It became apparent about 2 years ago that we were starting to lose our farm. The pressure of this on our family was quite heavy. A year ago at this time, my mother died of a stroke from the stress. In November, the bank came to us and told us that we were going to miss an interest payment this year, and that if we did not voluntarily sell out our land, they would come down on us hard with a foreclosure. This caused my father to become very depressed and very suicidal. I had to quit my job to take over the farm duties so my father could go to a hospital. He has had heart trouble and is currently in Iowa City. We have sold out our farm; we have lost our farm.

A lot of people asked me why I came out here, because our farm is gone. I do not want to see what happened to my family happen to my neighbors. My brothers and I are at each other's throats because we all blame each other, and we have no help from anyone. My father has no money and yet he is told by the Government that he does have money, so he is not eligible for food stamps. He is not eligible for cheese. It he did not have his children and if we did not have money, he would be going hungry.

I do not want to bury another parent because of this farm problem, and I do not want any other family to go through what we have gone through. We are spread now across the country. We never thought this was going to happen to us. We were always a close family growing up, and what has happened in the Midwest, I don't know if people in the city understand it, but it is not just the foreclosing on our property and the selling of farms. It is the destruction of families.

If this administration is so pious and moral as they say, then I do not understand why they are destroying the morality base of this country by destroying the family farm.

That is all I have to say.

Mr. DASCHLE. Thank you. Thank you very much.

Brian, we thank you for your poignant remarks. It is not easy to talk about personal family difficulties. Were it not for the fact that you have people in the room that are just as strongly pulling for you as you are for your family, I would think that would be even harder to do. We are grateful to you for sharing that personal experience with us and the tragedy that you have had to share.

Mr. Coleman has some questions.

Mr. COLEMAN. Mr. Berg, you indicated, obviously, some difficulties that have resulted from the farm decline and so forth. My theory is that we are going to see a demand placed upon social services that we have not really seen before in the rural areas, and I am not sure that we are ready for that. In your unfortunate situation, your father has obviously needed some consultations in the past. Would you tell us if there were such programs available, facilities available for those things that you have found in your family and their needs? Have they been met in your community and, if not, was it because you were away from an urban center or were they met in your community?

Mr. BERG. Well, they were met in our community, but my father is a proud man and a very generous person. He doesn't think badly of anyone, and he felt—you know, he worked 40 years farming his land for his children. When the bank comes and tells him that for that 40 years' work he owes them $10,000 after he has sold everything he has, the stress on all of us—I mean, the facilities are there but for him they aren't effective. He doesn't believe in that. He is from the old school. He doesn't believe in those things. It has prevented me from even leaving home. I have a sister at home who is in high school yet, and I can't leave her there alone for fear that my father will do something to himself. There is nothing I can do about my situation. I am in the situation I am, but I can prevent other people from getting in that situation.

Mr. COLEMAN. I was more interested in if you had sought assistance, and was the assistance there in the community?

Mr. BERG. Yes.

Mr. COLEMAN. OK. Thank you.

Mr. **Daschle**. You notice another member up here. His name is Larry Hopkins, a member of the House Agriculture Committee from Kentucky who is very actively involved in these issues, as well.

Does anyone else have additional questions or comments? I don't mean to preclude them.

[No response.]

Mr. **Daschle**. Dan Moses is our next witness. Dan is from Ottumwa, IA.

Dan, we are delighted you are here. Thanks for coming. We would like to have your testimony.

STATEMENT OF DAN C. MOSES, OTTUMWA, IA

Mr. **Moses**. Thank you very much.

In reference from Ottumwa, IA, which is in the southern part of Iowa. I think it is part of a State that it appears like the present administration would like to ignore and write off. I think we would stand a better chance if we would transplant the State of Iowa to a foreign country in order to get some kind of Government loans.

I also challenge Mr. Stockman and Mr. Block in regard to agriculture and poor management. I have been involved in agriculture for 21 years, basically on two farms. The one that I presently own, back in the early 1970's, we obtained a long-term agreement through the Federal Government for cost-sharing for conservation practices. On this 360-acre farm, we have approximately 5 miles of terraces.

The point that I would like to make in regard to the farm bill is that not only do we need a profit—there is no doubt about that—but we have also got to save the soil, because in the long run, it is going to cost us a lot more money and we cannot afford to ignore that.

I would challenge Mr. Block to come to my farm which, with the 5 miles of terraces and all the point rows, I don't believe he could plant it. Under those circumstances, I believe we need someone in Agriculture, maybe under Mr. Block, who would appreciate our problems that I think are being ignored.

That is about my only comment. I wanted to make it brief. I didn't care to come up with a big statement, but I have one other comment that I would like to make.

In southern Iowa, in Ottumwa, we have a John Deere plant. It is basically hay machinery. Where I live we have a lot of engineers that live in the country. Two weeks ago, the one engineer who is head of experimental department was informed they are going to start making the round baler in Germany. They are not even going to make it in the United States anymore. We can't afford to keep losing our businesses to foreign countries. It doesn't make any sense. If you would put profit back, I think, in the farmer's pocket, he can afford to buy the John Deere equipment, but under the circumstances, he can't.

That is my comment, and thank you very much.

Mr. **Daschle**. Thank you. Thank you, Mr. Moses.

It is one thing to have other countries compete with us, but it is another thing to have our own Government compete with us in some respects, and that is what they are doing. It seems to me—you mentioned foreign aid and foreign loans—that if we can give 2 percent loans to Brazil and to Poland, we ought to be able to give them to our farmers, as well. It seems that we really have a double standard here. The farther away you are from Washington, the more eligible you are for low interest loans. We have to turn that around.

Mr. MOSES. I have one more comment, if I could. It is in respect to the Farmers Home Administration. This just happened before I left for Washington, DC.

In our area, we have a tremendous problem because of the past couple years of drought and flood, low prices. South of Ottumwa, our land maybe is not the best, but it is not the worst. We can still produce 150-bushel corn.

But I had complained somewhat with the Farmers Home people in regard to loans that they were denying. They were declared insolvent if they didn't fit the package that FmHA has proposed. I brought this up to a gentleman. He called me Friday morning, and I literally took abuse on the telephone. I didn't appreciate that. I can understand his problems. He said, "You go to Washington, DC. You are going to have a bunch of farmers there. As a result, you are going to put the heat on, but you know where the heat is going to be applied. It is going to be back down at the county offices."

We don't have the manpower. We don't even have the time to really train those individuals to meet and serve the problem that we have. The day that he called me, which was Friday morning, he said he pulled a gentleman out of a dairy barn to train him to become a lender or supervisor temporarily to help on this problem. And he said he is really not going to help us a whole lot.

According to the people who are being denied some loans, there is no money even available. His answer was we really need direct loans. We don't need the guaranteed because so many of the banks aren't even wanting to work with it.

Thursday night, I had a banker and a board of director at my house. They are not even beginning to work with it. They say it won't work. We need direct loans.

Thank you very much.

Mr. DASCHLE. Thank you. I appreciate what you said.

Our next witness is James Phillips. He is a farmer from Centerville, IA.

Jim, we are delighted you are here. We are glad that you could share some comments with us. Please proceed.

STATEMENT OF JAMES R. PHILLIPS, CENTERVILLE, IA

Mr. PHILLIPS. I want to thank you for the opportunity to make a few statements here.

To qualify myself, I started saving about 15 years ago, my wife and I. Through diligent work, we finally managed, in 1978, to buy a farm. I hit it just right. It has been going down ever since.

But more important than that, I can take my lumps and become Mr. Average American again and move back to the city. If I thought that was to anybody's benefit, I would probably do that.

But what we have is the American farmer, the American rural businessman, the American rural banker being put out of business. They will be moving to the city with nowhere to go. The products won't be sold, so the cities are going to collapse. We know it, and we can see it. It has been reported many times before you today of the drastic and far-reaching effect that the failing agricultural communities are facing.

Now on the other side of the coin we have FmHA, the farm credit system, and the bankers out there. Their attitudes that they are looking at from the programs that have been implemented by the entire administration, why should I make you a loan. Why should I go to the trouble of rescheduling you? If I reschedule you this year, I am going to sell you next year because there is no profit. You can't pay.

We are talking about people that have consumed their entire equity, in my case, the 15 years we started for. We are talking about people that started 20 years ahead of me that now have absolutely nothing to retire on. The farm land, I felt, the American dream was that is my security. That is my children's education. That is my children's future, and that is the Nation's security. But it is being badly misused, mishandled.

In the 2 years that I have been thoroughly involved into the situation, I said, "You guys are at fault. You are not doing your job." And it looked terrible with you taking your increases and the farmers out there taking their lumps.

On further study, I said, "Hey, these guys have passed all the laws." Every tool that is needed out there to aid the rural American crisis is available. You guys did your job, both in the House and in the Senate. Basically you did your job.

You made one small error, the way I see it. You transferred the power to the Secretary of Agriculture. John Block has the right to implement any part or any portion, not entirely what you have passed, but what he feels is effective, what he feels is needed.

Well, Mr. Block has no feelings, so he implements what he is told. That is evident from the comments that he has made. Those are the comments that the administration has made, not the congressional side of it, but the administration side.

So, in the 1985 farm bill, please consider diminishing his discretionary powers and taking it upon yourself. I know the House bill contained it and the Senate left it out. But this, in the Band-Aid package, is the first step. But the major package will be coming up to save rural America and this great Nation. That is when we have to put it together, and that should be what we are looking for now, because this afternoon you are going to pass the Band-Aid package. What we see sitting back here and what you see running through here in front of you is to say you have done a good job. Don't let us down, or we are done, and so are you.

I thank you. I am sorry my red light is on, because I could go on a little while longer.

Mr. DASCHLE. You can't say it any better than that. I find myself nodding in agreement with a lot of what you said, and we appreciate your eloquent comments and the fervor with which you stated them.

On my right is a real friend of the family farmer. He has been involved in agricultural issues for a long time. He is from Oregon. His name is Jim Weaver, and he will be chairing the next session of this hearing. I invite him to take over the podium at this time.

Thank you all for being an excellent group this morning.

Mr. WEAVER [acting chairman]. Mr. McKnight, have you had your turn?

Mr. McKNIGHT. I am just up, sir.

Mr. WEAVER. All right, sir. Would you proceed, please.

STATEMENT OF R.D. McKNIGHT, WYNNE, AR, REPRESENTING THE AMERICAN AGRICULTURE MOVEMENT

Mr. McKNIGHT. I am R.D. McKnight. I am here representing the American Agriculture Movement. My home is in Wynne, AR. I am a graduate of the University of Arkansas with a B.S. and a J.D. I practiced law since 1956, and I have been farming since 1966. I farm rice, soybeans, wheat, and some mallow. I took over my family farming operation back in 1966.

Things have been going downhill for the last few years. We were here in 1981, and I have discussed these problems with Mr. Weaver in his office and at our office and with some of you and have been here before the committee before. We have always brought you these long, sad tales about the woe, and they are plentiful. I have been told by my Congressman, "Bring us a solution; we already know what the problems are."

We are trying to bring a solution this time. Like I said, the problems are there and the sad stories are plentiful. They are sad, and they are real sad in many cases. The times have made us prophets in the American Agriculture Movement. We have been trying to tell people this for a long time, and as International Harvester told us when we talked to them back in 1977, we said, would you help us, and they said, what problem are you talking about. I think they are aware now of the problem that we were discussing with them.

The solution that we are offering to you is one that was developed within the Democratic Party's platform policy procedure. It was developed with the assistance of Mr. Hightower from Texas, the agriculture commissioner, sitting as chairman of that committee. They held hearings throughout the United States and gathered in the State of Illinois and had a workshop and wrote the platform, which the candidate promptly refused as being too radical.

But this has been put into bill form by Mr. Hightower and his staff. It is an excellent bill. It is a parity bill. It will return profitability to agriculture. It will do it at a minimum cost to the Government. It is a bill that we hope to make passable.

We have excellent press now. We have movies like "The River" and "Country" making the people aware, and we have programs like the Donahue program here the other day. We even have Ted Koppel who has done about a 180-degree turn in his outlook, and we are getting excellent response.

We would like to help you pass an excellent farm bill for us, and we are going to urge that you look very seriously at Mr. Hightower's bill as will be introduced, I think. If you will give it a pass in your committee and get it out on the floor, we will do everything that we can do in our lobbying efforts to help get that bill passed.

I am amazed at Mr. Reagan about one thing. He talks about this dynamic new farm program, the dynamic new approach. This approach is to do away with all Government activity in agriculture, perhaps with the exception of doing away with trade agreements and doing away with the power to embargo and those things which they don't really consider.

However, the Great Depression of 1929, of which we are seeing very much a parallel in things right now, a good stock market and prosperity everywhere except in agriculture, these things are on everybody's mind who are really serious students of this thing. I can understand Mr. Block and perhaps Mr. Stockman, because they are not really old enough to remember that, but Mr. Reagan is.

We have had these programs for the last 50 years simply because, not because the farmers asked for them, but because the public got tired of being dragged into one depression right after another by the failing farm economy. It has happened and it has happened and it has happened. Mr. Reagan is old enough to remember that. Mr. Stockman and Mr. Block are not.

The idea of doing away with all these safeguards that we have built into agriculture to give it stability is, in my way of thinking, totally asinine. I just cannot understand it. When we have had depression after depression that have been farm led, and finally the people of this country, back in 1930, said the heck with that. We are not going to have that any longer. We are going to put stability in agriculture. And they did, and it has worked well. It has not been administered properly at times, but it is absolutely essential. We don't like it, but it is just necessary.

Mr. **Weaver**. Thank you very much, Mr. McKnight. I am most interested in your comments. Did you know that every major depression, crash, we have had in this country's history has occurred the year after a Presidential election? They were 1837, 1857, 1873, 1893, 1929. They have all come the year after, and they have all been preceded by an agricultural depression. Your words are well taken.

Would you have Mr. Hightower send that bill to me? I would like to look at it as soon as possible.

Mr. **McKnight**. I surely will, Mr. Weaver. I will see that you get a copy of that today.

Mr. **Weaver**. Thank you very much.

Mr. **McKnight**. Thank you.

Mr. **Weaver**. Mr. Ruppert, welcome, please proceed.

STATEMENT OF ALLEN RUPPERT, COFFEEN, IL

Mr. **Ruppert**. Thank you, Mr. Chairman. I appreciate the chance to talk to the distinguished members here today.

I am a farmer from Illinois. I farm with my father and my brother. We have grain, livestock, and a dairy farm. We are in the process this month of liquidating our dairy herd to liquidate some debts so that we can continue to farm another year.

I think the story that we are all trying to tell today is that there are more of us out here that are good managers, that aren't just farm speculators, aren't the land speculators. All we have expanded is to meet our family needs. We increased our dairy herd by 20 or 30 cows to meet the needs because what we had wasn't there before. I think that story has been told many times today.

I have talked to other farmers that have farmed 40 and 50 years, and they have had savings built up through the good times. They can't quit farming today because their savings are gone. It breaks my heart.

You don't train a farmer; you grow him. And there is no place for young farmers to start today. If my dad hadn't sacrificed any equity that he had to start my brother and me, I wouldn't be farming today, and it is gone. This is our last year if we don't get some relief, if we don't get some help, if we don't get some prices.

We have had so much good testimony here today, but the answers are out there if we can convince our administration that our policies will work and it won't be a burden to the taxpayer, that we will be the answer to solving the problems of this Nation. The farmer's desire to farm is much stronger. There are guys out there today who are totally insolvent who are still fighting, who are still trying to farm, because they believe it is the answer. How many businessmen would make it? We have businesses in our small communities that are going out today, one after another, because farm numbers are dwindling. Look how many people that would employ. This has been longer than a 4-year period, but the last 4-year period is what we are looking at strongly.

I don't know what I can add to any of the testimonies today, but I just encourage you to do all that you can to help us out.

Mr. **Weaver**. Mr. Ruppert, your words are very meaningful, and I want to thank you very much for offering them to the committee.

Mr. Pigford, welcome. Won't you proceed, please?

STATEMENT OF TIM PIGFORD, RIEGELWOOD, NC

Mr. **Pigford**. Mr. Chairman, members of the committee, and fellow farmers, my name is Tim Pigford. I am a corn and soybean grower from Bladen County, NC.

I would like to address this committee about a problem in American agriculture that American agriculture is suffering along with the debt and credit situation, and that is about the civil rights of minority farmers in this country. We would like to encourage this committee to encourage the administration for the passage of emergency credit farm bill so that we can put our crop in in 1985. We want to make a profit like any other business, like any other industry. I think that testimony has been explained fully here today.

I would like to address the problem of equal treatment for minority farmers from Farmers Home Administration in this Nation. A lot of minority farmers have not received their equal proportion of funding from the Farmers Home Administration from the Limited Resources Program which was designed to help small and beginning farmers get started in the business of farming.

There is the problem of the coordination of financial statements that Farmers Home Administration requires all buyers to fill out, the time consuming process it takes to fill out this statement. We would like to ensure, through Farmers Home, the Federal Government, there would be some type of program that would ensure the continuing farming of young black and other minority farmers in this country. We would like to have some portion of guaranteed percentage of the Limited Resources Program that we would have the necessary capital for purchase of farmland and equipment and other things that we need to make our operation a success.

The unfair treatment of minority farmers in this country by Farmers Home Administration and VCA has cost the Government money, has cost the taxpayers. The Limited Resources Program can be operated fairly, efficiently, and at a cost rate that would be fair to the taxpayers and to the Government. The present administration is interested in budget cutting and cutting the deficit. We can show, through discriminatory policies, that the Farmers Home Administration has cost the Government in terms of agriculture instead of helping the American minority farmers and saving the taxpayers' money.

Black farmers are losing farmland 2½ times faster than our white counterparts. In 1920, there were 926,000 black farmers in this country. Today, there are less than 57,000. At this rate, by the turn of the century, there will be no American black farmers farming in the United States.

We have fought on foreign soil for the freedom to ensure the rights of Europeans, Koreans, Vietnamese, and other foreign farmers the right to farm their lands. We have returned to this country from war and have not been able to purchase farmland, to receive equal startup capital, and compete in a business that is very prosperous and the number one leading industry in this country, our largest industry in this country.

We are not here asking for a handout. We are asking the present administration to give us a hand. We are concerned with family farms, the saving and preservation of the American family farm.

In the interest of saving time, I have a document, a proposal. I am a member of the United Farmers Organization which consists of small family farmers in North and South Carolina. Instead of going through the proposal, I would like to have it submitted in written testimony.

If I have any time left, if there are any questions from the committee, I will be glad to answer any questions.

Mr. **Weaver**. Without objection, the document you have will be made part of the committee record.

[The United Farmers Organization proposal appears at the conclusion of the hearing.]

Mr. **Weaver**. I want to thank you very much, Mr. Pigford.

What is the size of your farming operation?

Mr. **Pigford**. Presently, I am farming, renting, around 300 acres raising corn. I have been trying to purchase land through the Farmers Home Administration ever since I came out of college in 1973. I am 33 years of age. The average age of the American black farmer is 51 years of age. I have two sons, one 8 and one 2, and I would like to see them follow me in my footsteps in farming. I am a fourth generation farmer, and I would like to see my sons follow in the industry of farming.

Also, my wife has to work an outside job. I work an outside job. Presently, I am laid off due to budget cuts back from the Reagan administration. We are farming efficiently with the equipment that we have, but there are a lot of us that do not have the proper size equipment, our equipment is outdated, and we need capital from Farmers Home, from the credit, PCA, from commercial credit, to attain the modernized and mechanized operation.

Mr. WEAVER. Mr. Pigford, thank you very much. That is very helpful testimony.

I assume the members of the committee have been introduced to the people in the hearing room. The gentlemen, Mr. Combest, Mr. Franklin, and Mr. Hopkins are able and very concerned members of the Agriculture Committee, and I would like now to present one of our fine and distinguished new members, the gentleman from Virginia, Mr. Olin, who will take over the chair.

Mr. OLIN [acting chairman]. Thank you, Mr. Weaver.

Our next witness will be Mr. Phillip G. Thomas who comes from Liberty, MO.

I would like to welcome you, Mr. Thomas, to the Agriculture Committee hearing. We are operating under a 5-minute rule, and if you can confine your remarks to about 5 minutes, we would appreciate it.

STATEMENT OF PHILLIP G. THOMAS, LIBERTY, MO

Mr. THOMAS. Members of this committee, I would like to ask you a few questions, if you wouldn't mind.

Mr. OLIN. Yes; go ahead.

Mr. THOMAS. In your opinion, what is the scope of the farm crisis at this point?

Mr. OLIN. What is the scope of the farm crisis?

Mr. THOMAS. Yes, sir.

Mr. OLIN. It is a fairly wide scope.

Mr. THOMAS. Could you be more specific? Is that like the Midwest, the East——

Mr. OLIN. I would think it is certainly in the Midwest, some in the Southeast. It is around the country in a good number of places.

Mr. THOMAS. In my observations while I have been here the last few days, there are people here from almost every State in the United States. That tells me there are farm problems. For every farmer who is here, there are 500 to 1,000 who couldn't afford to come here. That says something to me. There is something definitely wrong.

I feel the farmers have been backed to the wall. We are at a position where we need action, less talk and more action. That is what it gets down to.

I just wonder how much the Members of Congress believe in the family farmer. That brings me to another question. In your opinion, what is the definition of a family farm?

Mr. OLIN. I am not sure I can give an official definition, Mr. Thomas, but it is a farm where the members of a family live on the farm and work the farm and have that farm as their principal source of income. I believe that would come as close as any. Would you agree with that?

Mr. **Thomas**. Basically.

Mr. **Olin**. Yes.

Mr. **Thomas**. You say principal, but we are farmers and it is the only income. I think that is a lot of our problem, too. I hope you are aware of it. We farmers are. There is a lot of land out here that has just been for investments, tax loss farming. We are not out here in the business to lose money. We are out here to raise crops, to make money, and pay taxes, like every other American taxpayer in this country.

I know that in Missouri right now the farmer just doesn't have the respect he used to. He has worked just as hard, and I can't say that is all the farmer's fault, can you?

Mr. **Olin**. I do not; no.

Mr. **Thomas**. I think this is where the problem exists. We need to find the solutions, and now. The chairman there a while ago was speaking of the depression years ago. I think history repeats itself. I think we could be on the verge of one of the worst depressions ever. I certainly don't want to experience it. I have relatives that went through it. I don't think I would enjoy it, would you? Would you enjoy experiencing that again?

Mr. **Olin**. I sure would not. I lived through it.

Mr. **Thomas**. Why don't we do something about it to change it at this time? I think the American people and the Congress and the President of the United States need to listen that there definitely is a problem. Would you agree with me on that point?

Mr. **Olin**. I certainly would. You are going to find the House of Representatives acting on the legislation related to various corrections in the farm credit situation this afternoon. I think there is a likelihood that that action will be successful.

Mr. **Thomas**. I was aware of that, and we just spoke to our Congressman, Congressman Coleman, an hour or so ago. He said in his opinion if the bill passed, the President would veto it.

Mr. **Olin**. That remains to be seen. I hope he does not veto it.

Mr. **Thomas**. I hope he does not either. I think some responsibility needs to be taken here. Are all the farmers to blame if we have another depression worse than the last one? I don't think so. Do you?

Mr. **Olin**. No, I don't.

Mr. **Thomas**. Who else is part of the responsibility to be given to?

Mr. **Olin**. What would be your opinion on that, Mr. Thomas?

Mr. **Thomas**. I would say the Government is involved in it, too. Wouldn't you?

Mr. **Olin**. Yes, I do.

Speaker From Audience. Mr. Chairman, I have to resent the witness questioning you.

Mr. **Olin**. I am trying to be courteous to the witness and I think that he deserves that. I am keeping my answers brief. Really, it is our desire here that the farmers testify and give their feelings, but I don't mind answering a question or two.

Mr. **Thomas**. Thank you for that, sir.

Mr. **Olin**. Thank you very much, Mr. Thomas. I do appreciate your questioning and your testimony and your concern.

Mr. Combest, do you have any questions?

Mr. COMBEST. Just a statement, if I may.

I think, Mr. Thomas, as you have eloquently pointed out and many other people who have been able to come and testify today—and I realize that for each of you who are here, there are hundreds more at home—it is the interest of this committee. We all sought seats on this committee in order to hopefully bring some knowledge that we may all share and have to address the problems of the American farmer today.

I think that the crisis facing agriculture is one that basically has never been of the extent and the magnitude that it is today. The concerns about the problems in the past, what has created the problem, is good to look at from the standpoint that we need to see what some of the results were of the policies, but it is this Congress that is going to have to act and I think it is this Congress that is going to be looked at as determining whether or not we allow the family farm concept to disappear and dissolve or whether or not we were able to help it survive.

I think that is the interest of this committee on both sides of the aisle. As you mentioned with your Member earlier, I think there will be strong support for the bill that will come out today, and it is only a stopgap measure. However, the chairman was very courteous and kind, I think, to set this meeting up today so it would be possible for you to be here.

We appreciate that fact, and I think you know that the interest of this committee is to try to help and assist in the plight of the farmer, and we are going to do all we can do to keep the family farm system going. It is a life that for me for many, many years was my way of life, and that is certainly my interest in this committee.

Mr. OLIN. I might add, if I may, I represent an area in the western part of Virginia where farming is about 50 percent of the economic activity in my district. The farmers are mostly dairy, livestock, and some poultry. They may not be having quite as hard a time as some farmers in other areas, but they are not living very high. They are looking for some changes in our agricultural policy that will make it possible for them to have more hope for the future. Most of them are family farmers. They live on their farms. They inherited the farm from their father. They are trying to pass the farm on to their children.

I am very much in sympathy with what you have had to say, Mr. Thomas. Is that just about all you wanted to say?

Mr. THOMAS. There is just one other thing I would like to add.

Mr. OLIN. All right.

Mr. THOMAS. I would like to challenge each and every one of you in this room, when you eat lunch, when you eat dinner this evening, I don't care if you are in McDonalds or the nicest restaurant in Washington, DC, or New York City, Los Angeles, think about while you are eating that meal where it came from. Did it come from the grocery stores? Did that restaurant grow it outside the back door in the pavement? It came from the farm. We want to keep producing it. If something isn't changed, I don't think we can.

Mr. OLIN. All right. Thank you very much. We appreciate your comments.

Mr. **Thomas**. Thank you.

Mr. **Olin**. Our next witness is Mr. David J. Anderson. Mr. Anderson comes from Queen City, MO.

We are very happy to have you with us today, Mr. Anderson. We will give you 5 minutes, give or take a little.

STATEMENT OF DAVID J. ANDERSON, QUEEN CITY, MO

Mr. **Anderson**. I appreciate your time today, fellows. I was here earlier when they started, and Mr. Madigan said that the $650 million that had been earmarked for agriculture, only $25 million had been put out into the farm. He said that Mr. Reagan was taking this as that we didn't have a problem out here and we did not need this money because we hadn't come in and got it or whatever.

I do hope that you realize that there were over 80,000 applicants for the 25 percent set-aside that was in some of the legislation there for that, and less than 3,000 have qualified or been passed. I was one of them who applied for it but did not pass. Now, there have been in our county maybe two or three; there were over 200 applicants.

My personal feeling on this, now, maybe it is not yours—I hope that it isn't but yet I hope that it is—it is a two-sided thing—it looked to me like this thing was a vote getter for Mr. Reagan more than anything. The reason I say this is, those letters were certified, sent out to the FmHA borrowers the very week that they were. They had to be out by the end of that week, and on the next Tuesday was the election. That is very coincidental, I suppose, but it is something that makes you wonder because then, all of a sudden, here we are with this great thing that is going to do all this and help us, 5-percent interest and 25 percent of your loan set-aside for 5 years, but nobody can qualify for it.

The thing that bothers me about this is we have had a disaster declared in our States or counties in the past few years, and most of us cannot qualify for these disasters, for the disaster loans, the low interest money for this. I personally went in and went through all the paperwork that would fill this desk three times and they said, "You are too good at what you do. Your crops were too good. Your cattle weighed too much. You cannot qualify. Even though your corn burned up and you chopped it for silage and there is no corn on it for feed value, we have to count it with some kind of a value."

Then, they turn around and we apply for this next thing that is supposed to help us out, and we are not good enough. So, it is awful hard to find the happy medium in there. That is some of the problem I have.

The other thing they tell us is that this is something that the small farmer is having trouble with that the large farmer is doing OK, and young and small is our problem. I would want to tell you today that this thing has got no age limit to it, definitely no age limit to it, and no size limit. Some of the largest farmers that we know of throughout the Midwest are in bankruptcy or having problems. Anyone that you visit with today in agriculture you are going to find has some sort of a problem and, more than likely, it will be financial.

As we get on through with FmHA, you make a farm plan out hoping for something near normal, which anymore we don't know what a normal year is with the weather and everything else that we have been going through, but then they come along with an embargo or something like this that kind of slaps us in the face. I have contended all along that I think I can win this thing if I change the rules as I go. If I am making the rules, I should be able to win the game. It is awful hard when you sit on the other side and you have nothing to do with the rules, but you are in the game trying to win.

They go out and they tell us to get a job to make things better to subsidize whatever we are doing to try to make our living. The thing that I would like to bring to you today is that there are more people unemployed than there are farmers. The unemployment rate is 7 point something percent or whatever. There are 2.4 percent farmers. There are more of them than there are of us. How are we going to go find a job when there is more of them out there than we are? All of us want to find a job.

One thing that I read in a farm magazine before I came out here was that the European Community, any week that they export, any week that they have in excess they have no problem exporting. They can find a market for it. They can get rid of it.

Mr. Block tells us that we have to take less for a week, lower prices, so that we can be competitive. I think it was Farm Journal magazine. I won't say that for sure, but I read just before I came out here that the EC farmers, whether it be through subsidy or whatever, are getting nearly $9 a bushel for their wheat, and we are getting barely over $3. I should have cut this out and brought it with me, like I said, through subsidies or whatever.

Mr. **Olin**. Could I ask you who was getting $9 a bushel?

Mr. **Anderson**. It was the European Community is what I read. Like I said, through subsidies or whatever it might be.

Mr. **Olin**. Yes.

Mr. **Anderson**. But I did catch that in a small article. It was somewhat impressive or amazing or something. I don't know what you would call it.

However, I see I have taken up my time. I just want to say that to get out here, most of us farmers could not afford to come out here. I am very happy with my neighbors and friends and businessmen back home that let me get here because I came on donations. There is no way I could afford to be here, and I do appreciate your time. I just feel like there is no reason why in America today our farmers cannot get a fair price and be assured a profit. If you are doing the job you should be doing, you should be getting a profit. Other businesses do.

Mr. **Olin**. Thank you, Mr. Anderson.

Our next witness is Mrs. Eleanor K. Talkemeyer. She is representing the American Agriculture Movement, as you know. She is from Arenzville, IL.

We are very happy to have you here today, and why don't you just go right ahead.

STATEMENT OF ELEANOR K. TALKEMEYER, ARENZVILLE, IL

Mrs. TALKEMEYER. I appreciate your time today. We really like to come to Washington and get to talk to you fellows.

I have come to Washington, DC, to try to share with you the plight of the family farmers as Congress begins to consider the 1985 farm bill. I can't begin to convey the importance of this legislation, not only to the farmers but also to the rural communities and the economy in general.

Since you have heard repeatedly about the impact the farm segment has on the rest of the economy, I will not further belabor that point. I do want to tell you my own farm story.

My husband and I have been farming for the last 20 years. We are the fourth generation of Talkemeyers to nurture our small farm.

I have heard you speak about the legislation pending that will extend emergency credit, but I know more credit will only keep us farming longer. It will not help us pay off our existing debts or any we incur under this new legislation.

I appreciate the efforts and the concern that have gone into the legislation, but I know it is only one more band-aid, not a cure, for the deep-seated problems that affect everyone of the farmers in this Nation.

My husband is currently working in Georgia. He is unable to get a job in Illinois, and he has gone to Georgia to get a job to subsidize our farm. This has completely torn our family apart. We have three children at home, and I am at home. It is emotional, I am sorry, but it illustrates some of the problems we have with agriculture, two of them in particular.

It shows you that the real economy just does not have the jobs to sustain its farmers if they care to get a job to help themselves. It also shows you that we do not get the cost of production even in our farming business. We are not able to recover our cost of production. We have to subsidize that business on our own.

I have been asked why we continue farming under these conditions, and I am very hard pressed to explain that to anyone who is not directly involved in farming. Farmers understand the commitment. There is a dedication and there is an attachment to the soil that you just cannot say in words. Let's suffice it to say that we feel it is one of the best possible places to live and to raise our family with the goals we consider vital to the survival of our nation.

In addition, we fear what the future holds if agriculture should pass from the control of the family farmers into the control of the major corporations. We consider it an absolute necessity to continue to farm and continue to work to improve prices to assure the continuation of the family farm system.

To that end, I want to urge you to support as part of the 1985 farm bill legislation to assure parity for agriculture, 100 percent of parity, because agriculture cannot and will not survive without being able to pay off their debts. They will be forced from the land. The farmers are going to be actually forced from the land. When that happens, the very base on which our Nation was founded will be forever gone.

We can still avoid that grim scenario if you will act to provide parity for agriculture in the 1985 Agricultural Adjustment Act. Let's really adjust agricultural policy, not down like the President request, but up so our great Nation may be revitalized.

I thank you for your time.

Mr. **Olin**. Thank you, Mrs. Talkemeyer. I think you are very kind to share some of your personal situation with us, because that really brings it home in a way that generalities would not.

You mentioned the need for better farm prices. That is very clearly a major part of the problem. On the other side of the coin, if we can do some things to help get interest rates down, that is going to help too. I realize that borrowing more money is not going to do more than postpone things.

Mrs. **Talkemeyer**. I can't borrow myself out of debt. There is no way. I have already tried that road, and it doesn't work.

Mr. **Olin**. The point I was trying to make was that if you have borrowings, and most farmers do, if you can get those for a lower interest rate, then you are better off.

Mrs. **Talkemeyer**. That is very true. It does help.

Mr. **Olin**. That is the only point I was making, that interest rates are still awfully high in this country. If we can make some headway on the deficit and a few other things, we in the Congress may be able to contribute to at least making the interest cost of your equation be a little bit easier to bear.

Mrs. **Talkemeyer**. That only allows me to hang on with my fingernails a while longer. It doesn't allow me to continue farming like I want to.

Mr. **Olin**. You also need good prices. I appreciate that.

Mrs. **Talkemeyer**. That is very true. I thank you very much.

Mr. **Olin**. Thank you very much, Mrs. Talkemeyer.

The next witness is Mr. Jan Burkhard from Gravity, IA.

We are very happy to have you with us today, Mr. Burkhard. If you can keep your remarks to around 5 minutes, we would appreciate it. Why don't you go right ahead.

STATEMENT OF JAN A. BURKHARD, GRAVITY, IA

Mr. **Burkhard**. I want to thank this hearing or you people today for allowing us to speak here today on our situation. It truly is as grim as the people are telling.

My name is Jan Burkhard. I am from Gravity, IA. I cautiously would like to state that I am a county Farm Bureau president. I would like to also state that the Farm Bureau does not represent always what everybody wants, and, among that, the idea of lowering prices to market clearing levels I feel the majority disagree with. I should probably say also that I am a member of the American Agriculture Movement.

As a farmer from Taylor County, IA, I would like to address my financial situation, the problem and possible solutions. My experience includes spending all of my out of school time on my grandparents' farm, active participation in 4-H, a bachelor of science degree in agricultural economics from Ohio State University, and 14 years of farming experience. I have produced corn, soybeans, cattle, and hogs.

In 1976, I purchased 454 acres in Taylor County at $840 per acre, and in 1980 another 132 acres at $900 per acre. I rent an additional 160 acres.

My financial situation is grim. The gross proceeds, including Federal crop insurance, will just cover my 1-year disaster loans, disaster operating loan from FmHA. I have no money with which to pay the bank, either contract holder, FmHA on a mortgage or taxes. I have no operating money for 1985, and have been forced to liquidate my breeding stock and my hog operation.

I feel I am a good farmer. Our county ASE corn yield average is 87 bushels per acre, while my 5-year average, excluding the disasters of 1983 and 1984 is 120 bushels per acre. The county average for soybeans is 30 bushels per acre while my average is 43 bushels per acre.

I feel the problem is obvious, lack of profit and, contrary to the popularly accepted theory that most farmers problems stem from the purchase of too much equipment and high priced land, I feel the problem lies much deeper. Much of the equipment purchased in the 1970's is now worn out. If farmers have been using that equipment and it is worn out, then it must have been needed. I will admit that we were made to pay too much for it in relation to the prices we were receiving, but there were no alternatives given the situation.

What then was the situation? In 1973, oil and energy prices skyrocketed, and the general inflation in our economy began to rise from a healthy 5 to 6 percent to double digits. Interest rates were about 8 percent. This meant that people with money to invest were losing ground. Simultaneously, in 1974, commodity prices also skyrocketed to over $4.20 per bushel for corn and $11 per bushel for soybeans. It became quite apparent that land could give a better return to investment than other sectors of the economy.

Investors of all sizes and shapes emerged to gobble up land, causing an additional inflationary impact on land. Consequently, we constantly heard reports saying that land prices were inflating faster than other sectors of the economy. What was not being widely publicized was the fact that costs of production were going up even faster than land prices, and, at the same time, due to a series of grain embargoes, commodity prices began a long perilous decline never again to reach the levels of 1974.

Profit margins narrowed quickly, and the only way for a farmer to keep up was to farm more acres, acres that just happened to be in ample supply to rent from absentee owners. Farmers that resisted expansion during the 1970's went broke due to lack of profit margin as evidenced by the fact that Iowa lost 27 percent of her farmers during that decade.

In 1979 came the straw that broke the camel's back with the Carter grain embargo. Farm commodity prices fell far below the cost of production, and the more acres you farmed, the more bushels you sold at a loss. Since land and equipment inflation is still leading the general economy, lenders who make their profits on loans decided that they could cover farm operating losses by mortgaging land and machinery. As my banker said, "This thing is going to turn around. The 1980's will be remembered as the decade of the farmer."

Far more acres of farmer owned land were mortgaged for $3,000 per acre than were purchased for $3,000 an acre. We always knew we would someday get back up to parity like we had in 1974.

This was not to be so. As if in a death wish, double digit interest rates on our rapidly accelerating farm debt became a harsh reality, and then, President Reagan's strong dollar, which is far worse than any embargo. Government made a decision to make a 180 degree turn in policy in a very short period of time without any consideration given to the repercussions. We went from relatively low interest rates to very high interest rates in a very few months. We went from a very weak dollar to a very strong dollar in a very few years.

I don't think it is the farmers who are poor managers; it is Washington. Never before in the history of this country have so few farmers been told to plant so many acres with the promise of a lower return to parity. "60 Minutes" made reference in their January 27 program to the starving millions in Africa and why there is no food. According to their story, their government allowed commodity prices to be depressed so far below the cost of production that farmers simply stopped production. When the droughts came, there were no reserves.

What on Earth is happening in this country? Corn is presently at 42 percent of parity, and soybeans are at 47 percent. We now stand at perhaps the most important crossroads in the history of this great Nation. We have two choices: family farms or corporate agriculture. There will be no in-between. Given our experience with corporate greed over the last 12 years, and given the fact that there is no greater necessity to human life than food, I feel the far-reaching implications are self-evident. Food will be turned off just as the oil wells were capped, and people in the USDA will be told to stop making crop reports. The Chicago Board of Trade will be closed, and, in the words of Delbert Rogers, "Food will become a utility." Consumers will pay all the market will bear.

If, on the other hand, we choose to control our own destiny and save the family farms, action must be immediate and decisive. First, land must be kept out of corporate hands by strengthening family farm acts, closing any and all loopholes allowing absentee ownership.

Second, there must be an immediate, across-the-board stop to all foreclosures, forfeitures, to halt the downward spiral of land and equipment prices, and a massive restructuring of farm debt at very low interest rates begun immediately. We must have immediate passage of the advanced ASE loan program to give operating funds to spring planting.

Third, we must take control of the situation as farmers, as States, and as a nation. No longer can we sit idly by allowing our prices to be set by crop reports issued by a department where cheap food is its primary goal. No longer can we afford to allow our prices to be set by speculators who have no regard for supply and demand but instead go by what the charts say the market should do, people who have been caught time after time manipulating our prices to their advantage. No longer can we afford to let huge corporate grain cartels steal our commodities at prices far below our cost of production only to turn around and resell overseas for astronomical profits.

We must have immediate implementation of price floors at 70 percent of parity. We must have immediate controls on production and controls of imports brought into this country to depress prices.

Certainly, the above issues are not the only ones plaguing American agriculture today, and just as certainly, these other issues need to be dealt with. Before we can deal with details, we must change the course we are now on if we are go avert a certain catastrophe. I humbly ask this legislative body and the leadership of this Nation to take action now. Time is of the essence.

Thank you.

Mr. **Olin**. Thank you, Mr. Burkhard. I would like to congratulate you on a very clear story about the history of this whole situation. I thought you had it put very well and it was quite accurate as far as I understand it.

Mr. **Burkhard**. Thank you.

Mr. **Olin**. Mr. Stallings, do you have anything you would like to add?

Mr. **Stallings**. Nothing at this point, thank you.

Mr. **Olin**. Thank you very much, Mr. Burkhard.

I would like to introduce two new members of the hearing here, members of the Agriculture Committee, Mr. Sid Morrison from the State of Washington, and Mr. Richard Stallings from the State of Idaho. I am going to at this time turn the chair over to Mr. Stallings.

Mr. **Stallings** [acting chairman]. I certainly appreciate the opportunity to be here and to hear the testimony. This has been a very interesting experience for me to listen to some of these situations.

Our next witness is Mr. Rayhons.

Would you introduce yourself and where you are from, sir?

STATEMENT OF LARRY L. RAYHONS, LENOX, IA

Mr. **Rayhons**. I thank the chairman and members of the panel. My name is Larry Rayhons. I am originally from the northern part of the State of Iowa. I was born and raised on my father's farm there of 280 acres. We had a family of nine children. I had four brothers and four sisters, and a father that had a bad pair of legs. I don't ever remember my father to be anything but a cripple, but that did not stop him from operating and managing the farm and raising a big family as he did.

There was a lot of hard work involved. At the age of seven, as soon as I was big enough that I could roll a bale, I was out rolling bales and kicking them apart for the calves for bedding. At the age of 14, my oldest brothers left home, being married, and the whole operation was turned over to me. We raised cattle; we raised hogs. We had chickens; we had sheep. We had everything that a northern Iowa farm had in those days.

As a child, I can remember starting so young to work, we didn't have much. We had a big family, but we always had plenty to eat and we always had clothes. They may have had patches over patches, but they were clothes and they kept us warm. We had a mother who loved us dearly. There is no money in the world that can buy the fresh bread and the rolls that were put into us from the love of my mother. That was good living. I learned to love the soil.

When there were problems in the community, neighbors helped. We got together. We had strong social organizations. We had strong church groups. All that meant so much to me as a child.

As I grew older and my responsibility turned now to my country to pay for some of the liberties and the fortunate birth that I had in this country, I went and served. I went and served at a time when the country was not behind me. I went at a time when my own family was not behind me, but I thought my love for this country was greater than all of that, and I went. I served for 7 years, and during that whole 7 years, I lived for the moment that I could go back to the farm.

You do not ever, on a farm, look at your watch and say, "Gosh, it is 2 more hours to punch-out time." You look at the clock and you say, "Gosh, it is getting later than I thought. I still got a lot to do today."

When I got out of the service, I had $10,000. I had that and a lot of determination. I moved from the northern part of the State of Iowa to the southern part of the State where I could buy 2 acres for 1 that you could buy in the northern part of the State. I was a little apprehensive about the move because of not knowing anyone, but I got involved with church activities and the community and the new businesses and the co-op, and I found they were no different than the community I left back home. It was all the same. It was just new faces and friends that I hadn't met.

Then, our local bank in the area that started me farming was sold to a bunch of investors. This spring when I went in to get my loan, we had quite a visit. First,—well, I couldn't get in at first—and it took quite a chore just to get in, but when I got in, we had quite a visit about what was happening in the community. The bank told me at that time, I asked him, "What are you going to do if you don't support us farmers?" He said, "We don't need you farmers. If I don't ever write another agricultural loan, we will make more money."

They are taking the money from the community. They are draining us, and they are sending it to the cities and the Government for high securities. They look at computer printouts. That computer does not have a heart. It does not have a feeling, and it does not have a family.

My son is in the fourth grade this year. He is 10 years old. He came home from school one day and he was saying that all the kids were saying what they were going to do when they grew up. So I got to talking with him about it, and he said, he was mentioning his friends' names. He said, he is going to be a doctor. He is going to be an attorney. He is going to be a dentist. He is going off to be a Congressman. My son told me he was the only one in the whole class that said he was going to be a farmer.

He came home and told me all this, and he is at that age now that when we were starting farming, he rode in the cab with his mother and myself. My wife has been with me all the way. She has been very supportive. She has helped me because we don't have any other labor. So, that son rode with us in the cab for all those years. Now, he is old enough that he want to take the wheel.

Sir, what am I to tell him when he comes out to the field and wants to take the wheel of that tractor when I don't have answer for him? You tell me what I am going to tell him. I can't come up with anything better than to say, go back to the house and crack them books, because there is no future for you to follow in your father's footsteps.

I am here today because Block did not hire me to go out on the land. I am not going to let him put me off the land, either. I will change my rotation from corn and beans to corn and beans Washington if I have to. I will be here every year, and I will support you people because I know you are getting the message and you are supporting us. I will do all I can to help you. You just tell me the direction. I will be here.

Thank you.

Mr. STALLINGS. Thank you very much, Mr. Rayhons.

Mr. Grimmer, would you tell us where you are from.

STATEMENT OF JACK GRIMMER, ARBUCKLE, CA

Mr. GRIMMER. Mr. Chairman and members of the panel, I certainly appreciate the opportunity to be here with you today and testify. My name is Jack Grimmer. I am a farmer. I farm in northern California in the valley floor about 60 miles north of Sacramento in some pretty fertile land. We use irrigation, so you see we don't necessarily fight as much as they do back here where they all want the nature.

However, what I would like to talk about is this myth that we keep hearing from the administration that it is the farmer's own fault. Those ones that are out there who aren't in debt, they don't have any problem. Well, I am here to tell you that that is not the case.

I have been a farmer and started farming in 1953, so I have been at it 32 years. About 20 years ago, I got out of debt. I have not been in debt since. I have the equipment all paid for, but I have seen the income go down and down and down for several reasons.

One, out there we have a lot of crops. We raise rice, sugar beets, corn, level beans, and wheat. No. 1 is the Sugar Act. You people are familiar with that. That has been a good act, and it has probably been the best one for me of the whole farm bill. If it weren't for that act, I am here to tell you, it would not be the same situation for me today, so I want to blow the horn for the Sugar Act.

However, and also in addition to that, people in our shape, and there are a lot of them out there, and we have been talking about this, and every one of them said the same thing, "That's right, I am not in debt right now but I am going in debt. I have lived off my depreciation and my equipment and so forth." And that is where we are.

What we are saying is, under this present bill, not even talking about a lesser bill, it is going to get us. That is what we are saying. It is a matter of mathematics. It is going to get us.

We had the PIK Program a couple years ago. That added to it. I farm less than 1,000 acres so therefore, myself, I am under the

$50,000 limitation. So, I have that benefit. Nevertheless, with the depreciation of equipment, there is no interest to pay, we are still losing money to a sense.

I am here to tell this member and people that, without a price, the interest rate—I pay no interest but that is still not the total answer. It is price. The farm prices are just too low is the bottom line. I, myself, will keep farming probably until I either depreciate myself out of business. When the fat is gone, then I will be among the rest of them.

I thank you.

Mr. STALLINGS. Thank you, Mr. Grimmer.

Do you have any questions, Mr. Morrison?

Mr. MORRISON. Thank you.

Mr. Grimmer, I wanted to check to see whether you had time to answer questions because I want to make sure that everyone here has a chance during this session of the committee today.

One of the problems that we face here—I am a farmer from Washington State—and I don't happen to grow any of the crops that are supported at all. Of course, we are struggling, too, but primarily because of the exchange rates which have hurt the export sales which are so important to us. What we always hope in people have come to us, and I have always counted on my good neighbors in the farm community to come up with the best ideas because sooner or later they do as to what path we really follow, a parity system, a licensing system, something that gives you the ability to sell so many pounds of corn and so forth and you restrict the market in that way and drive it up which means you would have to close the door to outside products. We face a number of dilemmas that I think are sort of distasteful to Americans in general.

We have always felt we could compete with that outside world and yet, what testimony is indicating and what I know from my own operation, it is getting tougher to do. Do you have any specific answers that you think would work?

Mr. GRIMMER. Yes; I do. No. 1, I read the Hightower bill. I think that pretty well fills that, what I read there. There is one thing in there that I like specifically, and I hear a lot of this out in the country. The farmers that are bigger than, say, the limitation of some of the bills the administration is suggesting, 30,000, they don't want it. They want something different. A bill that does not have a subsidy but has a support price, you see, solves that problem, and it also solves the problem of using the taxpayers money to subsidize those darn farmers out there getting welfare. In other words, hopefully, we can raise the general price level up to that point.

As far as the world price goes, the sugar beets, for example—do you know what the world price of sugar is?

Mr. MORRISON. Nine cents.

Mr. GRIMMER. Yes, and we are supported at 21 cents. It costs me 17 cents to grow it. Without a Sugar Act, I am out of business, pure and simple. It is a matter of economics.

What my point is I think that the tariff part, that bill there answers your question. The tariff is successful there. Why can't we use it on other commodities?

Mr. **Morrison**. In other words, American firms would buy at the world price but they add enough to it so it comes up to the support level price. So, you would utilize that mechanism on some of the other crops in addition to sugar. Is that it?

Mr. **Grimmer**. Yes, to a degree. For example, rice. I am a rice producer. The rice is supported at this year it is about $11 a sack, more or less, give or take. The world price is $6.50. You can't grow it for $6.50. Guess what? We imported rice from Thailand for $4. That is going on right today. Those are the things I am talking about. This has got to be stopped if we are going to grow rice in America. Why should we grow rice? And it is coming across the Canadian border, incidentally, in some instances. In fact, one rice miller in California told us the other day that they were going to import rice from—Colony, in fact was who it was—they were going to import rice from Thailand. Why? You have rice here in the warehouse. Yeah, but he says, if we don't do it, somebody else will so we want to jump the gun.

Well, those are the things that have to be stopped on these import deals. It is the same thing with tomato paste and on down the list.

Mr. **Morrison**. Might I make just one comment on the sugar situation since it is one of the programs of that type that has worked fairly well. There are a limited number of people handling U.S. sugar sales, and they seem to make sure that nobody ever forfeits on a commodity credit corporation loan. In other words, they don't want the Government to end up owning any sugar, dumping it back on the market at some inappropriate time. Unfortunately, that same sort of control doesn't work in most of the other crop areas, but I appreciate your answer. That is one of the mechanisms out there that does work.

Thank you, Mr. Chairman.

Mr. **Stallings**. Thank you.

Thank you, Mr. Grimmer.

Since we are limited to about 5 minutes each, if the testimonies go under 5, if that would be all right, Mr. Morrison and myself will ask questions. If they extend to the 5 minutes or beyond, we will just move right on to the next witness.

The next is Mr. Wallace. Would you identify yourself and tell us where you are from, sir?

STATEMENT OF ROBERT L. WALLACE, ARBUCKLE, CA

Mr. **Wallace**. My name is Bob Wallace. I am from northern California also. I only have a couple of points that I want to make.

I want you to understand that California isn't much different than the other States in the United States as far as the depth of this problem. We do raise some 220 different crops out there, but many of them are in serious trouble. When the basic crops are in trouble, the specialty crops follow. For example, the grape growers are in very serious trouble, the rice growers, the almond growers, and so on through a whole long list.

At a recent hearing, Wednesday, in the State building in California, the Department of Banking and Commerce held hearings delving into these problems and responsible testimony was that some 30 percent of the farmers in California are in serious trouble.

I don't think you can address the farm problem separate or without considering other major problems, particularly the debt problem that this Nation has inasmuch as agriculture is an integral part of the total economy. I have been hearing on the television that we are in our 27th month of unprecedented recovery. I tried that one on our banker the other day. He asked how things were going down on our farm. I told him, great, we were producing lots of crops. Our people were all working. We were losing money, but we were recovering, and it didn't fly.

And that is not going to fly with this Government either. We are going in debt, and you people are certainly more familiar with the statistics than I am, but I am told we are going in debt in mathematical progression some $1.1 trillion last year. That is not recovery.

I think that as a result of that debt, I, as a farmer, face a very serious problem. I don't think it can continue. We are in mathematical progression in debt. I, like almost all other farmers, have some debt. In fact, we have a considerable debt. Our operating debt has reached proportions that scare me. That debt is carried on a note, that you recognize, as a demand note.

In any kind of a collapse, whether it is an immediate financial Armageddon or whether it is a methodical deterioration of the economy, at some point in time, that demand note can be called. Unless there is some kind of program to immediately offer me other financing, for all intents and purposes, I am out. That collapse, if you want to call it that, is already with us and thousands of farmers across the United States are out as a result, and more are going out every day.

It seems to me we have reached the point of confrontation between two basic ideologies in this country. We are either a country of, by, and for the people or we are a country who first serves the better interests of the moneyed interests, international interests and domestic interests. I think once we have faced that decision and formed an honest perspective on where we stand there, it will be much easier to design and implement the kind of legislation that we need.

I don't believe that the answer to America's future—first of all, I do believe that it is with agriculture. Agriculture is the basis upon which the rest of the economy is built. I don't believe that the answer to that future lies in the exploitation of foreign markets, particularly from already impoverished and hopelessly debt-filled economies overseas.

I think we need to look inwardly at the productive ability of our people in this room and the people they represent all across this Nation. I think the first thing we are entitled to is our own market here at home. When you consider the imports of 40 percent for beef and many others thinking of the displaced feed grains that that causes and so on, I think we are entitled to that market and a fair price in that market.

I really think those are the two points that I wanted to bring out. I hope that you and your colleagues, both here and on the other side of the street over there, can in some way put a safety net under the ownership of America's farm land. If the farm land falls out of the ownership of America's people and into the hands of corporates, bankers, or internationalists, the American dream is dead.

Thank you.

Mr. STALLINGS. Thank you, Mr. Wallace. We appreciate that.

Next we will hear from Mr. Lewis Landsberg.

STATEMENT OF LEWIS E. LANDSBERG, BLUE SPRINGS, MO

Mr. LANDSBERG. I am Lewis Landsberg. I come from Blue Springs, MO, but we farm in south central Kansas. We have 1,240 acres that we have a half-interest in. Most of it is irrigated land. We can farm every foot of our land. It is good land, some of the best land in the State of Kansas.

I have my talk pretty well written out, and even though I am going to repeat many of the things that have been said, I would like to repeat them again because I have them in this list, and if I don't do that, I won't get to all of it.

As I see the farm problem, it has been accumulating for 30 years because farm prices have been depressed since 1953. Farm income now represents only 0.78 percent of national income in comparison to 7.1 percent in 1943 and 4.3 percent in 1953.

Farm subsidies and Government intervention have not worked and have eliminated the free market through embargoes and have denied agriculture a fair price for its farm commodities.

The only solution I see to the farm problem is a fair-priced commodity based upon all other sectors of the economy; that is, labor, fuel, automotive, machinery, interest, fertilizer, herbicides, and so forth—the cost of the materials that the farmer needs.

I bought a new car in 1951 for $1,500. The car now costs $15,000—ten times what it cost in 1951—and yet we sold our corn in 1951 for $2.57 a bushel, and this last fall we sold it for from $2.75 to $2.80 a bushel. There is no way anyone can compete in that kind of situation.

Fair prices for farm commodities will put thousands of unemployed people back to work with a 1:1:7 ratio turnover of raw material to labor to the overall economy.

Farmers are deeply in debt because they have lived up their equity during the last 30 years while embargoes have cut off their export markets, causing huge surpluses and depressed prices. There is no free market, gentlemen, and we haven't had a free market for a long, long time.

It has been controlled and manipulated by a board of trade that buys and sells our grain before we even put it in the ground and continues to buy and sell it after we have sent it to the elevator.

The price of food should be passed on to the consumer, who has been subsidized by the agricultural economy for the last 30 years.

There are no more highly skilled managers in our Nation than farmers. Who else can be a veterinarian, banker, marketing specialist, mechanic, and all of the other factors that have to be carried out on the farm?

Farm credit associations, local banks, local businessmen, implement companies and dealers in elevators in all agricultural communities are vulnerable to collapse unless the trend to lower commodity prices is reversed.

There is immediate need for credit to plant the 1985 crop. That has been discussed here, and we know you gentlemen are doing all you can to help us, and believe me, I appreciate the opportunity we have to talk to you today very much, and I know you are our friends.

The Government has provided stable prices for labor through minimum wage, unemployment insurance for unemployed workers; utility rates have been set so they can make a profit; controls over interest rates and so forth. Why not a fair price for farm commodities, I would like to know?

The off-farm income has exceeded the income from farm production for 23 of the last 30 years; in other words, farmers have had to subsidize their own farms to stay in business.

As I see the farm problem today, the present proposals do not address the problem. The farmer needs a fair price, not subsidies. The farmer does not have a free market.

Agriculture cannot afford the PAC committees to represent us. The farm communities throughout the Nation are on the brink of collapse. Farm credit institutions are also in deep trouble in the rural areas because of low farm prices.

All others in the food chain have been fairly paid—the truckers, the bakers, the processors, the retailers—except the farmers.

Now, Mr. Reagan, Mr. Block, and Mr. Stockman are going to like my recommendations for change. The first one is the establishment of a 100 percent fair price commission to be elected by producer and consumer representatives based on production costs.

My second recommendation is a two-price system, one for domestic consumption at 100 percent of parity, and the surplus, if any, be dumped on the world market at whatever price they will give for it, the price of food passed on to the consumer, thereby completely eliminating farm subsidies. The farmer doesn't need them if he has a fair price for his commodity.

Each farm would be given a domestic base through the ASCS office, with additional acres at farmer's option for the surplus world market.

Another recommendation is expansion of the Soil Conservation Service to preserve and improve the soil for future generations. That, gentlemen, has to go beyond the farmers now living.

It is necessary for farm credit to be provided for planting the 1985 crop.

The 100-percent price for domestic consumption should be announced prior to crop planting and livestock production.

I would like to present with my talk an analysis by a Nebraska banker, a good friend of the farmers, Mr. Rossiter, who knows the problems, and I would hope that every Congressman and every Senator would have an opportunity to read this 19-page report, which is excellent.

Also, there is an immediate need for credit to plant the 1985 crop.

The Government has provided stable prices for labor minimum wage, unemployment insurance, Social Security, and so forth—utility rates, controls interest rates, and so forth. Why not a fair price for farm commodities?

Off-farm has exceeded the income from farm production for 23 of the last 30 years.

Thank you.

[The Rossiter report appears at the conclusion of the hearing.]

Mr. **Stallings**. Thank you, Mr. Landsberg. We appreciate your comments.

At this time I will turn the chair over to Mr. Volkmer, also from Missouri.

Mr. **Volkmer** [acting chairman]. Thank you very much, Richard, for giving me an opportunity to be here and review, as I have reviewed with my farmers out in my district—and I see some of them around here in the audience.

I have no questions. Sid, do you have any?

Mr. **Morrison**. No; I think the time has been pretty well used.

Mr. **Volkmer**. All right. Thank you very much, Mr. Landsberg. I appreciate hearing from a fellow Missourian.

Our next witness is another fellow Missourian, Mr. J.E. Bartelsmeyer from down in Mt. Vernon, MO. That is Gene Taylor's district, isn't it?

Mr. **Bartelsmeyer**. That is right.

Mr. **Volkmer**. We will be glad to hear from you, Mr. Bartelsmeyer. I haven't heard from any of the southwestern farmers; I have been hearing from the northeasterners for some time now.

STATEMENT OF J. EDWARD BARTELSMEYER, MT. VERNON, MO

Mr. **Bartelsmeyer**. Do you know Gene real well, then?

Mr. **Volkmer**. I know Gene real well.

Mr. **Bartelsmeyer**. Well, he is a pretty good old boy.

Mr. **Volkmer**. Yes.

Mr. **Bartelsmeyer**. He is kind of a plowboy like I am.

But I have a story to tell, about like the rest of them: I am going down the tube as a farmer.

I was Reagan's coordinator in 1980, and I wore a pair of shoes out for him, and now I am collapsing under my own contraption that I built, under the Reagan administration.

I don't think that Mr. Reagan has done right, and I think that Secretary Block ought to be removed, and I think that Stockman ought to be removed. I think that we have better men, smarter men, than they.

We can go to the Moon, we can do all these other things, but it seems like we can't get an agriculture that is not a boom-and-bust type of agriculture.

I have been farming for 40-some-odd years, and I am getting tired of working for nothing and going through this boom-and-bust type of agriculture not knowing what the Federal Reserve is going to do next. We don't know what they are going to do from 6 months to a year after they meet, and they haven't been audited for 70-some-odd years, and Gene Taylor tells me you can't get an audit on them.

So I don't know what is wrong. There is something wrong with the money system, I guess.

But, anyhow, I have a proposal for the American farmer. I have farmed over in that county all in my life, in Lawrence County. I raised two children; one is Bob and one is Shirley. Shirley is in bad shape like I am. She is a farmer right next to me there. I sold an area out to them, and I went back down the road and went in the beef cattle business.

When Mr. Nixon put an embargo on beef, why, that about broke me with beef, and then I thought, well, I had better buy some soybean land, so I went to buy soybean land, and I paid around $800 an acre for some, and I did pretty good for a few years there, but just since the last 9 or 10 years, I have just been going down the tube.

I have had some droughts, and we have had some hardships, and we have had some sickness in the family. I had pneumonia last winter and like to died. I have had some hard knocks, and I can't make my interest any more, hardly. I am getting too old. I am 65 years old. I don't know what to do. I am puzzled.

But I have studied this agricultural plan for some time to try to get the farmers out of the trouble and not have the Government to have a burden on us as much as they have had, like they claim they have, but I still cannot understand how our Government can spend this much money—and I don't think it ever will work—on interstate highways and on the defense budget. You just name it; they have just blown the money from time to time on all of these events—into space and all this.

Well, how in the world can we keep this going? They are not the conservative type like the American farmer is. I was raised up on the farm, and I made my own tractor. We made two of them out of cars, first when we started farming. My dad, he almost gave up during the Depression. I went through that. I fixed up three places since I have been farming now, and now I have got to come to Washington to fix this place up.

So I have my proposal that will be easy on the Government and will be easy and be good to the farmer. I have three or four proposals that you might put on this new airplane that we are going to fly around.

One is a banking system. I call it the Bankers Homestead Act, the 2341 bill, I guess; that is what I give it. So this bank would be placed in each State, and it would be an agriculture bank, and we will loan this money out for 5-percent interest to the farmers, not to exceed over $200,000 in any one loan.

This bank would be operated by a State, and it would be funded by the Government and matched by the State, and then farm matching beyond that with bonds. What money that the bank would earn would go into floods and droughts for an emergency for the farmers.

This is the soundest program that I can find and search—I am an inventive person—this is the soundest program that I can find in the realm of this agriculture crisis.

The other proposal is that we can—being that some of the northern farmers and all of us in southwestern Missouri have been losing some soil—I don't know whether you have heard of the Gene Perot bill or not, but you plow under sweet clover, and a certain percent of your farm will go into set-aside acres to plow sweet clover on, and you bring it up to soil test, and you plow this sweet clover under and get paid by the tonnage. That would be about minimum wages. That would be cheap for the Government.

Then I have got the other bill there for the people that cannot plow their ground, too rocky. I am a grassroots person. I know all the answers to about—I know all the soils and everything. I know just what they do. If they cannot be plowed, then I think we should go back to the old soil bank for them, that they would have a program.

I am too proud to ask you for something, a handout, and I am too big to cry, so what I did, I have got to take that on myself.

As for President Reagan, I think he is a good, moral man, but I don't think he understands the grassroots problems of agriculture, and it takes somebody with a grassroots background to understand the agriculture of this Nation. There are people who have farmed for 20-some-odd years and gotten away from farming for 20 years. They don't know the problems of agriculture today.

Today is a different time, and we have to adjust our program in agriculture to meet the needs today. Today is our need, and for tomorrow. Yesterday is gone.

I sure do thank you fellows for listening to me, and I appreciate every bit of it.

Mr. VOLKMER. Thank you very much, Mr. Bartelsmeyer. I appreciate your words.

And it is good to hear from a southwestern Missouri farmer.

Mr. BARTELSMEYER. And it is good to hear somebody listen to me from Missouri.

Mr. VOLKMER. That is right.

Before I go to our next witness, I would like to introduce to you two other members that have recently arrived. One is Congressman Cooper Evans from Iowa.

Coop, would you want to say just a few words?

Mr. EVANS of Iowa. Thank you, Mr. Chairman.

It is a pleasure to be here. I was able to come for a while this morning to listen to some of your testimony, and I have got an hour or better this afternoon to listen. The stories that you tell are very useful to us, and the picture that you draw is a very real one, we know, and we are going to try to respond in an appropriate way.

Thank you, Mr. Chairman.

Mr. VOLKMER. Thank you.

Also, to my immediate left is Congressman Tom Lewis from Florida.

Tom, would you like to say a few words?

Mr. LEWIS. Thank you, Mr. Chairman.

I am pleased to be here. I just left about 30 of my own agricultural people, who certainly have problems, and we are very much concerned about the plight of the farmer. We recognize that this is the livelihood of the world, and we have to be very prudent and certainly be very attentive to what we do to make sure that what we do is right in the interest of everyone, including you.

I am pleased to be here, Mr. Chairman.

Mr. VOLKMER. Thank you very much.

One last thing I would like to do, since I do have some people here, Bob McCarty and the other people from northeastern Missouri, would you just stand and let other people recognize that we have people from my district right here? I am going to be meeting later on with them again—I don't know if you know, Bob—at 4 o'clock at the steps of the Capitol right outside the House. You cannot make it?

Mr. McCARTY. No; we are leaving.

Mr. VOLKMER. OK. Well, I will meet with those that I can.

Our next witness is Mr. Larry Hunt from Hartford, IA. My district borders right on the bottom line of Iowa on your southeast corner. Where is Hartford?

Mr. HUNT. Hartford is about 25 miles southeast of Des Moines.

Mr. VOLKMER. Southeast of Des Moines. All right, you are near my area, then.

Mr. Hunt, would you go ahead and proceed with your statement?

STATEMENT OF LARRY L. HUNT, HARTFORD, IA

Mr. HUNT. Thank you.

I want to thank the committee for the opportunity to testify today.

My farming operation includes four families—my father, myself, and two sons. Our operation consists of 3,500 acres, 2,800 acres of which we own. We have a 200-head cow herd, and we finish the calves that we raise.

My two sons were both awarded the National FFA American Farmer degree. Our yields are always in the top 10 percent in our county.

We are not land speculators, and we are not bad managers, as we have been accused of. We are efficient and progressive. We are on the cutting edge of technology and innovations in agriculture.

Today our farm corporation is in chapter 11; it has been for almost a year. We are financed with PCA and Federal Bank.

From personal experience, I can testify to you that these institutions are doing the opposite of what Governor Wilkinson and his assistants are telling Congress. We have House and Senate hearing transcripts of testimony that, if my local PCA and Federal Land Bank associations had followed, I would not be in chapter 11.

The bankruptcy judge has reviewed our reorganization plan, and I quote his findings. "The court finds that the debtor has a reasonable chance of rehabilitating its farm business under the proposed plan."

I submit to you that if these institutions had expressed forbearance, we would not have been forced into chapter 11. I quote Governor Wilkinson's testimony to Congress:

> Forbearance is sticking with the borrower so long as there appears to be a reasonable possibility for him to work out of financial difficulties and to reestablish a fully viable farm business.

I appear before you for three reasons. Agriculture needs the immediate short-term financing and debt restructuring. Congress must be prepared to override a veto if vetoed by the President.

Agriculture must have a profit. The 1985 farm bill proposed by the American Agriculture Movement is a solution for the long-term problem. When farmers start receiving parity, we can start repaying debts and replacing old equipment. Most of our equipment is over 10 years old. The proposed parity legislation is a plan that will work in our operation, and I fully support it.

I am also involved in a commercial fuel ethanol plant which uses 900 bushels of corn, producing 20 tons of high-protein, high-energy cattle feed and over 2,000 gallons of anhydrous ethanol per day. This facility employs about 15 people and is an economic boost to the local community.

Any farm bill should include the full 9-cent Federal tax exemption as an incentive for the ethanol-blended fuel to get this new industry established. The technology and equipment are now available to build hundreds of community-size plants across the country. Ethanol can be the octane booster to replace lead, which is currently being phased out, and thus provide additional markets for corn and jobs for people.

Thank you again for the opportunity to speak to you today. I would answer any questions at this time.

Mr. VOLKMER. Mr. Hunt, thank you very much.

You mentioned 600 bushels. That is per day?

Mr. HUNT. It is 900 bushels per day.

Mr. VOLKMER. 900 bushels per day. I think you are doing a tremendous service for the people, and I appreciate your testimony.

Does anyone else have any questions?

Mr. HUNT. I would like to also point out that we use damaged grain, off-grade grain, a lot of grain that cannot even be marketed.

Mr. VOLKMER. Very good.

Yes, the gentleman from Iowa?

Mr. EVANS of Iowa. Mr. Chairman, I would like to ask a question.

You mentioned that you are in chapter 11. I have had a number of requests for assistance from farmers such as yourself who have elected to take chapter 11 and who have been unable to get a hearing before a judge and a plan approved in a timely manner, and they are having great difficulty in getting ready for planting because of the great backlog before the courts. Would you say that that is the problem?

Mr. HUNT. Yes. we went into chapter 11 on March 14 of a year ago. We presented our plan to the court in the 120 days, but we did not receive a hearing until October 29, and the judge did not—this was just a plan, not approving the plan but just a disclosure statement—and the judge did not have time to rule on that until about the first part of February.

Mr. EVANS of Iowa. There is a very limited time for exchange of questions and answers. Maybe we can chat after a little while.

Mr. HUNT. But it is taking a long time, yes.

Mr. EVANS of Iowa. Thank you, Mr. Chairman.

Mr. VOLKMER. Thank you very much.

The gentleman from Nebraska would like to ask questions, even though he is not a member of the Agriculture Committee.

Mr. BEREUTER. Have you heard from Mr. Schmedding yet?

Mr. VOLKMER. No, we are going to.

Mr. BEREUTER. I would like to introduce him if I might.

Mr. VOLKMER. Well, fine.

Thank you very much, Mr. Hunt. We appreciate your testimony here today.

Before we go to the next witness, I would like to introduce to the audience Congressman Douglas—we call him Doug—Bereuter. Although not a member of the Agriculture Committee, he has worked very hard up here on agriculture issues. In fact, back when he started, some of us, on the task force working on the Emergency Credit Program, Doug was instrumental in sitting in on those meetings and making suggestions and having some ideas of his own.

I know he is very concerned. So I will permit him to introduce our next witness. Do you know him personally, Doug?

Mr. **Bereuter**. I certainly do now.

Mr. **Volkmer**. All right.

Mr. **Bereuter**. Thank you, Mr. Chairman.

I appreciate my friend and colleague from Missouri, the chairman of this hearing, his kind words, and the fact that they are taking time to hear from you today. I know they think it is important, as I do.

I would like to introduce to the panel of my colleagues Mr. Ivan Schmedding. Ivan is from Thurston County, NE, and is a member of the Farm Crisis Group.

This group, now a multistate organization, had its genesis in Thurston County, and specifically in the community of Emerson, NE, which straddles three county lines including Thurston County. It is a group of farmers and agribusiness people that thought something needed to be done to avert a widespread crisis that involved not only the agricultural sector but the whole country.

I want to particularly commend the Farm Crisis Committee for the rational, responsible approach that they have taken to gathering information from my constituents and citizens throughout the Great Plains and Midwest in arriving at their suggestions for the Congress.

So, Ivan, thank you very much and your organization for the time you have taken to be here today. I would be pleased to hear your testimony before this committee. Thank you.

Thank you, Mr. Chairman.

STATEMENT OF IVAN J. SCHMEDDING, WINNEBAGO, NE

Mr. **Schmedding**. My name is Ivan Schmedding, and I farm in northeastern Nebraska, as Doug told you.

I had a son-in-law that sold out in FmHA about 4 years ago, which, I guess, got me more interested in this thing than I was before. I always was.

I think the new farm bill has to address many things. It can address all kinds of things if we put people back in the top priority.

According to a study by the Physician Task Force on Hunger in America, they found that despite the economic recovery, hunger is getting worse. It seems this should be our last worry in the land of plenty.

We as farmers have been blamed for years for poor management. Beyond a shadow of a doubt, the blame has been put on the wrong people. We have had a hammer held over our heads for years—

they call it efficiency—but the farm programs and the system which we are under have rewarded bigness rather than efficiency.

The fact is, the more efficient we got, the cheaper our product was. This seemed to fit right in with the cheap food policy.

Secretary of Commerce Malcolm Baldrige has projected that the 1985 trade deficit would be $140 billion. These deficits—the deficit we have had in 1984—have thrown our whole system out of balance. Debt money has become a basic product, and pricing our product from agriculture is the only way we can bring the economy back into balance.

We had a balance from 1942 to 1952, when we had 90 percent of parity. We can do it again. At that particular time, it helped finance a war and gave us a national budget surplus in 1947, 1948, 1949, and 1951. This, it seems to me, should be proof of what a fair price for agriculture can do for this country.

I have got some figures from my own 1040 income tax form that deal with just the basic cost of producing a crop. It has nothing to do with the depreciation.

I started farming in 1950 on my own. In 1951, I farmed 280 acres. My total expense was $1,972. That was $7.04 an acre. In 1981, I farmed 440 acres. My total expense was $43,472. That is $98.80 an acre. In 1984, I farmed 560 acres. My total cost is $52,477. Per acre, that was $93.70.

To go a little further, in 1951 I had approximately 140 acres of corn, and it made probably 40 bushels to the acre at that time, and I got $1.60 a bushel. That was taken from my records; it is an accurate price. That came up to nearly $9,000. If you subtract the difference, I had just about $7,000 worth of difference that year.

In 1981, I had 220 acres of corn. I got $2.80 a bushel—I farmed more land—and my end result was $5,800. In 1984, I had 270 acres of corn, and it made approximately 85 bushels to the acre. Figuring that at the local market price, about $2.40, I am coming up with $2,600. The thing is, it is completely out of balance.

The farm crisis committee in Emerson has a farm program called a Family Farm Existence Plan. It has been presented to practically all the farm organizations. It has been very well accepted. The concept has been real well accepted. The most emphasis is put on the middle-size family farm. This is where the most efficiency is. This is where our future farmers are trained, and proof of this is that we have the best food-producing system in the world.

As a closing thought, we pay more to the interest mill in this country than we pay the farmer to produce food.

Thank you.

[The attachment follows:]

this is all american Dollars to american Industry no portion will go to foreign production

1951 Farm Expense – $1972 ÷ 280 Acres = $7.04 Per Acre
1981 " " – $43,472 ÷ 440 " = 98.80 " "
1984 " " – 52,477 ÷ 560 " = 93.70

Bu. Per Acre Bu. Actual Price $ Expense Difference
1951 – 140 Acres Corn x 40 = 5600 x 1.60 = $8960.– @ 1972. = $6988.
1981 – 220 Acres Corn x 80 = 17,600 x 2.80 = $49,280.– @ 43,472 = 5808.
1984 – 270 Acres Corn x 85 = 22,950 x 2.40 = $55,080.– 52,477 = 2603.

GAS Per Gal.		Rent 80 Acres			Seed Corn Per Bu.	
1951	1981	1951	1981	1984	1951	1981
24¢	$1.32	$280.	$1990.	$4087.	$12.	$65.

National Average Loan Rates For Corn

1942 – $.83 Per Bu.	1950 – $1.47 Per Bu.
1943 – .90 " "	1951 – 1.51 " "
" 44 – .98 " "	1952 – 1.60 " "
" 45 – 1.01 " "	1953 – 1.60 " "
" 46 – 1.15 " "	1954 – 1.64 " "
47 – 1.37 " "	1955 – 1.58 " "
48 – 1.44 " "	1960 – 1.06 " "
49 – 1.40 " "	

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Mr. **Volkmer.** Thank you very much, Mr. Schmedding. We appreciate your testimony here today.

I will recognize the gentleman from Nebraska, Mr. Bereuter.

Mr. **Bereuter.** Thank you, Mr. Chairman.

I would like to ask unanimous consent to submit for the committee's record as it prepares for the 1985 farm bill the proposal prepared by the farm crisis committee which is called the Family Farm Existence Plan.

I think there are some unique, workable, good elements in their proposal that are not offered by any other organization. It has taken them some period of time to develop it, and I think there are indeed elements that the Agriculture Committee, as well as the Foreign Affairs' Trade Subcommittee should examine. I would like to submit it for the record, Mr. Chairman.

Mr. **Volkmer.** That will be made a part of the record.

[The Family Farm Existence Plan appears at the conclusion of the hearing.]

Mr. **Volkmer.** Mr. Schmedding, we will be glad, as members of the Agriculture Committee, to review the proposal and to see what we can utilize in it, and we thank you very much for being here today.

Mr. **Schmedding.** Thank you.

Mr. **Volkmer.** Our next witness is Mr. Jim White. Mr. White is from Pleasantville, IA.

We appreciate your being here today, and you may proceed with your testimony, Mr. White.

STATEMENT OF JIM D. WHITE, PLEASANTVILLE, IA

Mr. **White.** Well, first of all, I would like to thank you for letting me attend. I was upstairs testifying a little bit this morning, so I won't take too much of your time.

I am a farmer from Pleasantville, IA. I did have two boys in operation until 1982. I was forced by PCA to take a chapter 11 because they were going to foreclosure or put a writ of replevin on everything I had.

And so I filed a chapter 11. I spent 2 years in Federal court with PCA, and it took 2 years to get a plan approved. I got it approved, but due to the drought in 1983, the plan was not going to work, so we dismissed it and settled with PCA.

I don't want to cover too much of the PCA settlement, but then, due to the PCA's actions, I was behind in my Federal Land Bank payment, and then the Federal Land Bank started foreclosure, and I have been in another chapter 11 since the 13th day of November and have presented a plan to the court.

We had a hearing on a disclosure statement last week, and it was all approved. The Federal Land Bank raised a lot of objections, but the judge overruled. We have come to an agreement with the Federal Land Bank otherwise in the chapter 11; we hope it will work out.

But I am mainly here today as part of the American Ag and the Farm Unity Coalition from Iowa. We have a serious problem in the State of Iowa. I volunteer on the hotline that Rural America has. There are prairie fires known today. If any of you happen to be in the Des Moines area, you would be welcome to stop in there and spend an hour listening to some of the telephone calls we get in Iowa.

Also, I wanted to cover a little bit about the farm credit system. I was one of the 12 farmers that met with the AFICB in Omaha a month ago. We made 12 demands to them of things that we thought were right that they were doing wrong, and they were to answer it. I received the answers last Saturday. If the committee wants the answers, I will get them to you before I leave here, probably by Friday.

It is my personal opinion that the Farm Credit Act of 1971 that was adopted by the farm credit system is part of the reason that the farm credit system is in trouble today, and the American farmer. It let the variable interest rates be adopted. There should not have ever been any variable interest rates adopted that would be used in agriculture, because you cannot make a cash-flow out for 7.5 percent, and by a year from now, it is 12 percent.

Another thing, it is my understanding that before 1973 the U.S. dollar was on a fixed rate to foreign currency. In 1973, we decided to let it float—somebody did—and we think that was wrong. Maybe they had their reasons at the time, but maybe they didn't look to the consequences.

Also, the Federal Land Bank is abusing the Iowa deficiency judgment law on their foreclosures. There have been instances in the State of Iowa where they have underbid the farm. It is worth well over what they had against it. They underbid it maybe $8,000, $5,000, and that would entitle them to come back in and ask for a deficiency judgment and bypass the Iowa law that says that the debtor in Iowa has possession of for the year of redemption.

Therefore, for a deficiency judgment, they can bypass that and come in and ask for a receivership, take over the operation of the farm that year of redemption. The farmer is out. He sits there in his house and watches somebody else farm the land.

Most States, in the 1930's, passed what they call the Fair Voucher Statute where they couldn't let this happen. Some States still have it. So we think that is an abuse of the Iowa laws.

I have been a farmer for 30 years, and I don't think I am a bad manager like they claimed in the 1980's. Thank you.

Mr. VOLKMER. Thank you very much, Mr. White. We appreciate your testimony.

Does any member have any questions for Mr. White? The gentleman from Iowa?

Mr. EVANS of Iowa. I would just say I would like to visit with you, too, in a little bit

Mr. WHITE. Thank you, sir.

Mr. VOLKMER. Thank you very much.

Before we go to the next witness, I am going to turn the chair over to Congressman Charles Whitley from North Carolina, who is one of the leading members on the House Agriculture Committee. He will chair the meeting for approximately the next half-hour or so.

Mr. WHITLEY [acting chairman]. Thank you, Mr. Volkmer.

I see from the witness list that our next witness is Mr. James I. Woolsoncroft, who is an elevator owner and farmer representing the Vermillion Grain Co. of Centralia, KS.

Mr. Woolsoncroft, we welcome you to our committee today, and we will be glad to have you proceed with your testimony.

STATEMENT OF JAMES I. WOOLSONCROFT, VERMILLION GRAIN CO., CENTRALIA, KS

Mr. **Woolsoncroft**. Thank you.

I represent a small grain elevator. We are a family—father, two sons. It seems like we are going to have to belong to a big chain.

We have got a little deal from the Federal Government in our office that says "Equal opportunity to all employees." We feel, in the elevator business and the railroad system today, that we are not treated equally there, because we could be paying the farmers more if we could have the same rates to the Gulf as a big terminal, and that would put more people back to work in the railroad industry. That is one thing.

But also, we farm. We are not broke, but we are next in line to go. We farm 1,800 acres, raise different kinds of grain, and there is no way to make it on these prices the way we are.

We have been out to farm sales watching our neighbors sell out. We don't want to buy them out. They need a job; we need them. We need each other in our neighborhood.

That is all I have to say. I just think that something needs to be done on it.

Mr. **Whitley**. Thank you, Mr. Woolsoncroft.

Mr. Lewis, do you have any questions you would like to ask?

Mr. **Lewis**. No, Mr. Chairman.

Mr. **Whitley**. We thank you very much for that testimony, Mr. Woolsoncroft.

The next scheduled witness happens to be my constituent, Mr. George Ammons of Route 1, Kenansville. He is from my district in North Carolina. He is here to speak on behalf of the United Farmers Organization, a North Carolina farmers organization.

Mr. Ammons, I welcome you to our committee as I have to my office and other opportunities that we have had to discuss the farming situation previously, and we will be glad to hear from you at this time.

STATEMENT OF GEORGE N. AMMONS, KENANSVILLE, NC, ON BEHALF OF THE UNITED FARMERS ORGANIZATION

Mr. **Ammons**. We definitely, down in the southeastern part of North Carolina—which I am originally from Duplin County—and we definitely have a farm crisis down in that area, too.

First I would like to speak on behalf of the United Farmers Organization as an introduction. With the decreasing numbers of people on farms and increasing number of Representatives from the urban districts, it is safe to say that cheap food is prioritized on our national agenda over a fair farm income.

Farmers and the products from our farms have been used to guarantee a cheap raw product for food processors, who in turn charge high prices to consumers. Many of us are hurting on both ends, the consumers and the farmers.

In addition, farm products have been used in the international arena to balance trade and even as weapons to gain political favor with certain nations and to punish others. In short, our Nation's farmers have contributed through our equity and labor to the American standard of living and the U.S. position as the strongest democracy in the world.

These forces do not operate in a vacuum, however. Foreign governments every day subsidize the production of commodities in direct competition with ours, even though farmers from other countries are also experiencing financial chaos.

Corporations dominate the world trade of storable commodities. Wheat, for instance, is controlled worldwide by only five grain companies. The Chicago Board of Trade aids their control of U.S. grain. Tobacco companies control not only the purchase of U.S. leaf but work with foreign governments and producers to boost their competitiveness with American farmers.

Farmers have not been operating alone. We have been and continue to be at the mercy of the United States and other governments as well as the large multinational corporations which have so easily dominated our price situation.

We contend that "getting Government out of agriculture" would only worsen the problem. Family-sized farms cannot compete in an arena with corporations. We need our government as our referee, especially since the United States Government has played such a huge role in putting us where we are today.

The international situation in agriculture is important to this proposal. By looking back at the Government's role in agriculture, we believe there is ample evidence to take most of the blame off the backs of the farmers. We are victims of circumstances beyond our control.

We contend that the lifting of acreage reduction programs and the emphasis on expanded production as stated in the Agriculture and Consumer Protection Act of 1973 had much to do with our current crisis.

We believe that mandatory production controls based on actual need for our products, coupled with a break-even floor price, would allow profit to return to agriculture. The "market clearing prices" proposed by some would simply be "family farmer clearing prices." There will never be such a thing as a free market for the U.S. farmers.

Long-term solutions are an absolute requirement. Returning American agriculture to the family farmer with responsible programs targeted to a size farm where most efficiencies are reached is required. The taxpayers should never be asked to subsidize a farm of a larger size as with the PIK Program.

While we have mentioned long-term solutions—and these are worth a separate proposal in themselves—we are in immediate need of short-term debt relief. We must remember that debt relief is only as good as the long-range solutions which allow us a profit to pay those debts.

All of these numbers represent broken dreams, lost income, and the loss of more and more of the competitiveness and innovation which have made agriculture so strong in the past.

I would like to present some suggestions from the United Farmers Organization as suggestions for the congressional action.

One, to support this proposal and designate a staff member to work with the United Farmers Organization. This member could advise on steps to getting our suggestions passed and work with us on getting the proper information to keep it moving.

Two, support Senate bill 371, which allows fairer rules for deferrals and debt servicing.

Three, support House bill 1035, which provides additional emergency credit in time for spring planting and eases eligibility requirements.

Four, notify our organization of other pending bills, hearings on credit or other agriculturally related subjects.

I must say, if I could get two more seconds, that evidently what I was hearing was that the farmers must have a problem by the participation today and the showing on Capitol Hill this week, because there is one thing about a farmer: He really doesn't come out of the corner unless he is pushed mighty tight.

I am glad to see farmers united for one common cause, and that is to let the American Representatives, Senators and Congressman, to let them know that they have got a problem in this country.

I kind of think that it is going to be a long-range problem to solve, but we need some immediate attention to our needs right now, not tomorrow but now, and nothing comes free, although we talk about free market, but nothing is free. The only thing that is cheap is cheap prices for the farmer.

Thank you, sir.

[The United Farmers Organization proposal appears at the conclusion of the hearing.]

Mr. WHITLEY. Thank you, Mr. Ammons.

Let me just comment to you one thing, Mr. Ammons. First, we will receive your entire statement for the record. I know you had to summarize in the interest of time.

And second, we in the House have already passed the two farm emergency credit bills to which you referred in your statement. You can be sure that this committee will keep in touch with your organization as we go through the legislative year this year.

Mr. AMMONS. All right. Thank you, sir.

Mr. WHITLEY. Thank you very much.

Our next scheduled witness is Mr. J.W. Kingsley, who is a farmer representing the American Agriculture Movement. He is from Miller, MO.

Mr. Volkmer here, of course, is from Missouri. Ike Skelton, a former member of this committee for many years, is likewise from Missouri.

We welcome you here today, Mr. Kingsley, and we will be glad to hear your testimony at this time.

STATEMENT OF JAY W. KINGSLEY, MILLER, MO

Mr. **Kingsley**. My wife and I and five kids own and operate around 1,000 acres in southwest Missouri at Miller. We raise wheat, barley, oats, beans, and around 400 head of hogs. Our boys are taking care of the hogs now.

We also do custom seed cleaning. We cleaned the seed that went on the Alaska pipeline.

First of all, I might say there are three things that enter into the farmers having parity: price, debt, and soil. There has been plenty said about the price and the debt, but there has been very little said about soils.

I am sure that you Congressmen are well aware that there are a lot of farmers that are not here. We have one big farm organization that says that not all farmers are hurting. Well, usually those are what we call born-rich farmers that are on good soil and in an area where they have good weather and hardly ever make a crop failure.

They, you might say, have a parity of income. Most of the farmers that are having problems have debt and poorer soil and are in an area where they have failures.

So, as Mr. Bartelsmeyer said a while ago, we have got a neighbor, E.M. Perot, at Golden City, MO. Probably on the Ag Committee you will see a videotape that he sent up here of his farming operation and this farm bill that he has been trying to get across for 25 years. They had it on the floor back in the sixties. Congressman Hall of Springfield introduced it. It is what he calls a second market, where you plow under sweet clover and the Government would pay you by the ton for plowing it under, with a limit of probably $125 an acre or $40 a ton. It is not a giveaway program.

It is more than soil conversation; it is soil restoration. Mr. Perot—I have known him ever since I was just a little boy—he owns this 2,400 acres there in our county—and he is a soil scientist. Being that, he lays most of our problems on the soils. He says that people mine their soil for all they can get out of it in hard times, and finally it gets down and gets so poor that they cannot make a living on it at the price they are getting, so they have to move off and look for something else.

So that is why he thinks this plan of his is a good plan. I think you will probably have to agree that whatever kind of farm bill you write, you are going to have to idle some land. So why not make this at least part of the bill, this land that they idle, so they can build it up as they lay it out, have a second market to fall back on.

Let it work like a governor on a tractor. If you had a tractor with no governor on it, it would soon tear itself up because there is such variation for the amount of power you need.

We have the same thing in the demand for commodities. It can change overnight. You remember, 10 years ago, they were telling us we would never be able to feed the world again, and we were going to have to ration bread and all that, and now look at it.

So Mr. Perot has had lots of opposition to this. They say it would cost too much and so on. But, he says, how do you put a price on human life?

I would also like to say that I think you Congressmen should take back control of the Government from the Federal Reserve and tell Paul Volcker and the rest of the Feds that we've had enough of this, that you are not going to be able to balance the budget by cutting everything out; you are going to have to balance it with revenue.

It is a known fact that they passed the Steagall amendment in 1942 as a revenue bill. It came into the Banking Committee to generate enough revenue to win the war, and we think we can do that same thing again and win this war.

Mr. Perot, now, to illustrate his bills, tells a story that back in the 1930's, during the depression, there were 24 abandoned farms within a mile of his place. So he said the people that oppose his idea all think they have a solution to the problem. The school teachers think that education will solve it. The Congressmen think they can solve it with legislation. The bankers think they can solve it with money, and so on and so on.

He says he would like to just play a game for a little bit and just imagine that you had a fence around this abandoned farm, and all these people that had a solution to this, you would let them go in the gate. The bankers can take all the gold in there that they've got in Fort Knox. Everybody can be a millionaire. No need to have a shortage of money.

The military people can go in and take all their arms. No need to worry about defense. The school teachers can go in and take all the schooling that they have, and so on. The farmer that thinks he is the best at mining the last little bit of production out of the soil, we would want him to be sure to go in there, and so on and so, and then shut the gate and give them a year to prove their theory.

You don't believe the scientists will be able to produce any edible food out of sand and rocks. There are still plenty of them on the abandoned farm. He thinks that within a year these people will turn into cannibals and begin to eat each other, and he says we are fast approaching that day in the United States if we continue to mine our soil, ship it overseas at less than cost of production. If our fertilizer shipments from foreign countries were to be cut off, we would be in that shape now.

So, he says, let's don't wait until we get in the shape they are in in Ethiopia before we do anything about it. Let's do it now. Thank you.

Mr. WHITLEY. Thank you very much, Mr. Kingsley.

I think you will find there is a lot of support on this committee for a lot better soil conservation programs than we have been able to maintain in the past, and we certainly recognize the importance of conservation programs.

Mr. Strathman, I see you are a farmer representing yourself, that you are from Baileyville, KS.

You may proceed at this time for 5 minutes.

STATEMENT OF GERALD J. STRATHMAN, BAILEYVILLE, KS

Mr. STRATHMAN. Thank you, Mr. Whitley.

My name is Jerry Strathman, and I am a farmer from Baileyville, KS, which is in the northeast part of the State.

I am here today because of the efforts of concerned farmers and local churches and businessmen in our community who raised the money to send myself and others back here to Washington.

Many of the points I wish to make today undoubtedly have already been made, but they are of critical importance, and I think some of them bear repeating.

I am one of thousands of young farmers whose wife must work full time and I must work part time to support my farming habit. Gentlemen, I don't do this by choice. I do it out of necessity. I and my wife wish to make our income solely from agriculture, but today this is impossible.

I want to briefly discuss credit. I, personally, will not have a problem securing credit this year to put my crop in the ground, but many of our farmers do have this problem, and they will be unable to get credit.

I am aware of the fact that we have a credit proposal that is going to be submitted to the President in the near future. It is a needed Band-Aid. However, it is a Band-Aid approach, when at the time what we really need is radical surgery.

If a farm bill is legislated which addresses only credit and not a profit for agriculture, the problem in rural America will only get worse.

Now, David Stockman, John Block, and others in Washington tell us that the solution to the agricultural problem is to eliminate more farmers. That is pure bologna.

In 1959, farmers represented approximately 27 percent of the population of this Nation. Today, we represent 2.4 percent. When will they be satisfied? When is enough enough? There is room in agriculture for every farmer in America today if we had a profit.

I also would ask you to please address the import problem. We farmers realize that trade is a two-way street, but it is totally ridiculous that the incoming street looks like an 8-lane expressway, and the outgoing street looks like a cow path. Please, once again, address this critical problem.

There are other specific areas which need to be dealt with. However, I feel that the gentlemen on this committee understand our problems, and they are working toward solutions.

Your challenge, as I perceive it, is to convince your urban constituents that there is a crisis in rural America, and the crisis in America is real.

As I said, I am from Kansas. At one time in the history of this Nation, our Great State was called Bleeding Kansas, and I suggest to you that if you fail to stop this administration's proposals for agriculture masquerading as a farm bill, once again you will bleed Kansas and this Nation dry.

Thank you.

Mr. WHITLEY. Thank you, Mr. Strathman.

Let me say to you, Mr. Strathman, that your State is well represented on our committee, both on the Democratic and Republican side. We have Congressman Glickman and Congressman Pat Roberts, both of whom really do your State proud. I just thought I would mention that in passing.

Mr. STRATHMAN. Yes, sir.

Mr. **Whitley**. We have a vote on the House floor, but before we go, we will hear one more witness.

Our next scheduled witness is Mrs. Kathleen Lockwood, who is the wife of a farmer, a farm housewife, from Wooster, OH. We welcome you, Mrs. Lockwood, and we will have your testimony at this time.

STATEMENT OF KATHLEEN H. LOCKWOOD, WOOSTER, OH

Mrs. **Lockwood**. Thank you.

My name is Kathy Lockwood. I am from Wooster, OH. I have been in farming for approximately 3 years.

My husband has an outside job; he is an engineer. I have an outside job to support my grain, my feed prices.

I am here because I hear what the farmers are saying, and I believe that you and President Reagan can help us.

Farmers are to be respected. They take so much and get back so little from anybody.

The prices that I, personally, get are above what they get because I market my own products. I don't know if any of you have been to an animal auction. It is quite unlike what I have ever been to. I am from the city of Cleveland. They have their problems, too.

An auction, an animal auction, you may get half a cent to a penny more per pound per animal if you are lucky. I sell mine to friends, anyone who wants them, and I get maybe $15 or $20 more than that.

I believe I would like the Government to get into a better plan in marketing. It is needed. I cannot see how a farmer can make a living doing this.

I lost $700 last year. I have a computer. I have a manure pit. You know, that was because of the interest rate. I am not a big farmer. I started doing it as a hobby, and it kind of mushroomed. I liked doing it.

That is about all I have to say. I just am with these farmers. I hurt for them, and I feel that something has to be done good.

Mr. **Whitley**. Thank you, Mrs. Lockwood.

Does any member of the panel have any questions? Mr. Evans or Mr. Lewis?

Thank you very much for your testimony.

We have a recorded vote on the House floor. The committee will stand in adjournment for approximately 30 minutes.

[Recess taken.]

Mr. **Thomas** [acting chairman]. Thank you for coming back. I know it is a little unexpected, but we are trying to work in as many possible witnesses here as we can, and we have a 10- or 15-minute break.

I am going to take the liberty of making just a short statement before you get started. Don't worry, I am not going to make a speech.

But I want you to know that my name is Lindsay Thomas. I was a farmer until I was elected to Congress in 1982. I had gone back and farmed full-time the family farm that had been in my family down in south Georgia since the Civil War, and, 7 years ago, I was standing out there in the snow with one of these very same caps on that I see so many of around the Hill today.

I was probably one of the only Members of Congress who was actually a card-carrying member of the American Agriculture Movement, as well as the Farm Bureau and the Young Farmers and you name it.

I just want to commend you on coming here. I know sometimes you get shuffled around. It looks like a lot of people are standing around and nobody is listening. But what you are doing is important.

I am sure there are probably some angry people in the audience today. I have been a little bit angry myself. But you have an important job to do up here, and that is to help the people who care about this country's agriculture and its industry and its farmers, to try to get the kind of public support and the awareness here in Washington, where Federal policy is directly affecting, really, the issue of whether or not you are going to be in farming down the line.

And so I commend you for going to the trouble and the expense. I know you would rather be back home on your farms. I felt the same way when I was here in the same capacity. But let me commend you for being here. It is a great privilege for me to chair this committee for this length of time.

Mr. Curl, I see that you are from Clinton, IL, is that correct, sir?

Mr. **Curl.** Yes, sir.

Mr. **Thomas.** And you are a member of the American Ag Movement. Are you a farmer, Mr. Curl?

Mr. **Curl.** Yes, I am. I farm 900 acres.

Mr. **Thomas.** Thank you, sir. I will turn the time over to you at this time, Mr. Curl.

STATEMENT OF TOM J. CURL, CLINTON, IL

Mr. **Curl.** Thank you, Chairman Thomas.

It sure is a privilege to be here. I appreciate the privilege. I have been locked out of the Chicago Board of Trade in assessing prices. I have been locked out of the U.S. Department of Agriculture. The Secretary of Agriculture is from my home State. I don't know whether he will come out and see me or not, but he won't let me come in and see him.

You know, Secretary Block kept telling us that the farmers wanted lower price supports. So we prepared a "wanted" poster. We have had this published around the United States. It says, "Wanted: A Farmer Who Wants Lower Support Rates and Market-Clearing Prices. If you come in contact with such a farmer, please call the American Agriculture Movement. We will arrange for psychiatric treatment and then forward him to John Block and the American Farm Bureau."

"They say farmers want and need lower prices, market-clearing, market-oriented retread of 1929 policy." You know, we have had no takers.

I really identify with some of the emotion-choked testimony I have heard today. I lived through the depression the last time. I shared with my parents the pain and anguish. I saw a young farm couple break their health before their time. Fortunately, they hung on, because there was a moratorium, I believe, in August 1933.

So, therefore, that is why I am here today. Had they not survived the last depression, I probably would not have had an opportunity to be a farmer and be here today.

Because of the depression, my father's health broke young in life. I started farming at 18 years old. I am 57 years old now. I shouldn't retire, should I? But I saw my equity shrink in half, just like holding a piece of ice outdoors on the Fourth of July. I have made no mistakes, but yet I am worth half what I was 5 years ago.

My wife worked to help me farm, for 33 years, off the farm. She now has a retirement pension she paid into. This year her retirement pension for not working matched my farm income off 900 acres of land, and I own 740 acres of that land.

From what I have heard today, I think we must have a moratorium and have that moratorium now. If we get a moratorium, we will get some help and we will get a farm bill passed. We will have the bankers, agribusiness, and everybody you can think of behind us if we can just get that moratorium and get it now, and then get the price.

As an American farmer, I am outraged over the callous remarks by our men here in Washington, Mr. Stockman and Mr. Block. They should be asked to resign. Any elected public servant that is paid by the taxpayers' dollars that make remarks about the taxpayers and the farmers as they have, do not deserve to live in an ivory tower.

They directed these remarks at the most efficient, largest, most productive and important industry in this Nation, agriculture. I think the farmers have served this country well since the days of the minutemen.

We believed that if we worked hard and long and produced enough, we could share in the American dream by owning a piece of America. That dream is now a nightmare.

I totally reject the Stockman, Block, and Bureau—and maybe my Congressman, Ed Madigan, should be included in that—farm bill that offers more debt and lower prices. However, if I represented Cargill or the U.S.S.R., I would think it a wonderful, wonderful farm bill.

You know, I cannot, for the life of me, understand why the family farmer should be forced to subsidize everyone from the food industry to the U.S.S.R. and lose our farms in the process. Cargill's net worth increased $1.7 billion last year, and your food stocks are paying 15 percent more than comparable stocks over last year.

I think everybody knows that the farm prices are mostly the blame of somebody else other than the farmer. It is the blame of the 1977 farm bill, moratoriums and all that, that you are more familiar with than I am. But we have had farm bills enforcing cheap grain prices.

This administration said it won't bail out the farmers, and maybe they won't. But they will have to bail out the banks, and they will pay for the cheap food policy one way or another. Like the advertisement says, "Pay me now or pay me later."

To the illusion of cheap food we must add the loss of 1,000 farms per week, the loss of the national wealth and income, the increased administrative costs within the Department of Agriculture, a record number of rural bank failures, the loss of taxes from the farm sector, the loss of income from the entire economy, the loss of International Harvester and other agriculture-related manufacturers, the welfare costs, and the creation of an unemployed work force.

I believe America cannot afford the cost of cheap food any longer. I believe the public should be told that the cheap food is too expensive. Full parity price for agriculture will cure virtually every one of the hidden costs just mentioned and still feed our consumers cheaper than any other country in the world.

If we had a parity bill, Stockman could take a lot of those cuts and stick them in his ear. They wouldn't be necessary. We wouldn't need an economic emergency and that type of thing. History proves parity-priced legislation and supply management can bring a nation out of a depression.

Agriculture is the solution, not the problem. We have had a balanced budget, a balanced economy, and a budget surplus only when agriculture resources have received parity.

Because of market-clearing prices and the so-called "free market" hoax, the dollar was so strong in the 1930's it would buy 10 bushels of corn. Lower prices and more debt did not cure the problem then, and it won't now, and it took the Steagall amendment to correct the economic problem and the farm problem. If we cannot learn from history, we are destined to make the same mistakes again.

When our 535 elected Representatives need a raise in pay, they don't vote themselves a loan; they vote themselves a better price. I ask this body to make a commitment for America—first parity farm program with supply management. I ask that you help us permit this very important agricultural industry to produce what we can sell, and sell what we produce, at a profit, for the good of all America.

If, instead, you follow the dictates of the 1972 USDA plan to abolish price supports and reduce the number of farmers—referred to as the Young Executives Report—and the similar dictates of the CED Report, the International Institute of Applied Systems Analysis, and others, it will be crystal clear that parity, justice, and equality do not apply to the American farmer.

If a parity farm bill is vetoed, it will confirm that this administration's goal and objective is to accelerate the elimination of the family farm system in favor or corporate ownership of our farms.

When President Reagan remarked, "You ain't seen nothin' yet," he surely must have had American family farmers in his mind, because if he has his way, that is exactly what our farmers will have—nothing.

Now, I am winding up. I will leave this with you. This is a paper prepared by a young man at the University of Illinois, Justin West. It is a study about what the free market has done to agriculture and what the free market has done to American industry. He really has done some work, and he got an "A" on this paper. I will leave this for your consideration, and I thank you very much.

["The Decline of the American Tractor Industry," by Justin Z. West, appears at the conclusion of the hearing.]

Mr. THOMAS. Thank you, Mr. Curl.

Mr. CURL. Among other things, sir, are your dues paid?

Mr. THOMAS. I am sorry. I did not understand your question.

Mr. CURL. One other item, Mr. Congressman. Are your dues paid?

Mr. THOMAS. My dues to AAM? I will have to tell you they are delinquent at this time, but I will get them paid up.

Mr. CURL. We sure appreciate it. We need them.

Mr. THOMAS. Now, Mr. Garfield Freeze. Mr. Freeze, I see you are a farmer from Elkton, VA.

Thank you very much for being with us, Mr. Freeze, and we will hear from you at this time.

STATEMENT OF GARFIELD R. FREEZE, ELKTON, VA

Mr. FREEZE. Thank you, Mr. Thomas.

If you would just allow me, I would like to stand up and turn my back to you and face these people just a moment. Would you mind?

Mr. THOMAS. Certainly.

Mr. FREEZE. I am certainly thankful that I got to meet all these brothers and sisters in this business. Before I came down here—and I will turn back to you—before I came down here I was kind of thinking, I have been a real good farmer and I have been a real good, successful man, but I have been getting behind the eightball, and I have been thinking maybe it was me. But, brother, let me tell you, when you see all of you brothers and sisters out here, it is the world over.

Now, I would like to state back to you, sir, that these people definitely have to be telling the truth because each one of us that has read the Bible, we remember the remarks that Matthew, Mark, Luke, and John gave as they went with Jesus along the road, and each of them gave it in a little different way but all of them told the truth.

I have been sitting back here listening to these farmers back here, and every one of them has been coming up saying it in a different way, but every one is telling the same truth, the same story, the same truth, and this whole committee absolutely should know that, hey, it is not bad management.

I have seen men up here that have had 1,000 acres, 1,800, 2,000, big shots, wearing overalls. These men are telling the truth. I couldn't have believed it if I hadn't seen it with my eyes and heard it with my own ears here today, that the Nation is in this type of shape.

I would like to maybe ask a question to the committee or to the farmer friends. When we are only 2.3 or 2.4, someone said today, a population of people, we employ 45 percent of the employed people around farming now—you have to really stop and think—this lady over here wouldn't have a job today if it weren't for us farmers here today.

These folks over here, we give everybody employment, I mean 45 percent of the people we employ and 100 percent of the people we feed, 100 percent we feed for nothing.

I went down to the cafeteria and ate a while ago. There were five of us farmers who went down. We didn't eat real good, though, like some folks did. We ate like farmers, poor boys. My friend paid for the bill back here, and I believe it was five of us that ate for $10. He came out and he said, "This is too cheap." I said, "Man, this is too much for what we get for it. We only got a dollar for it, and we gave them $10 for this stuff."

But the lady was sitting there—I couldn't believe it. The lady was sitting there taking our money. She said, "I thank you all for coming, because if you folks don't come, and you get what you want, we are not going to have anything to eat." I was really surprised that there was a person in town down here working, who said she didn't know anything about agriculture, but she knew she had to eat.

I would just like the committee and everybody to really take down serious what these people have thought up when they came here. I am speaking from the heart. I have no statements, no nothing, I am just speaking from the heart. Absolutely, the farmer is hurting.

I live 100 miles away, and I would invite your whole committee, any committee, to come to my farm any time and see my operation. I operate about 800 head of Stopper cattle, a couple hundred thousand acres of ground, and right today, in Fauquier, VA, they are selling cattle today in a fat cattle market, they are selling cattle today, fat cattle, for probably 58 to 60 cents. It cost the farmer 68 cents to produce them, and he needed 75 cents a pound to make any money.

When you go out to buy a part for any of your machinery, we pay unions—everybody wants unions, everybody wants free labor. They call it free labor. Hey, they are getting our labor free, all right. It is free labor. We pay union people to work for us in every phase of life. Everybody is unionized; everybody has got a set fix, and I will bet you these farmers in here are not making $3 an hour. How many of you are making $3 an hour?

Hey, those folks aren't making $3 an hour. But we have to pay the people that build our automobiles, the people that build our tractors, the people that make our parts, we pay them $15 an hour, and we own the country.

I say it is time for the farmer to go out here and stop and give everything back to these boys that know how to run it, because there isn't anybody else in here smart enough to do it. He has got to have another job. If we can't do it, they can't do it.

I thank you all for hearing me, and I do hope that the farmer, if they do not give him something, will stop, and they won't have to stop but 6 months, give all of it back to the banks, let the Government have it, and they don't have a dude out there who can run it if they don't hire us back and give us $15 an hour.

Thank you.

Mr. **Thomas**. Thank you, Mr. Freeze.

Our next witness is Mr. Leland Fanning from Morrisville, NY. Do you do a lot of farming in that area?

Mr. **Fanning**. In the great agriculture State of New York, we do have some farms left.

Mr. **Thomas**. Well, let me tell you, I had the chairman of the House Public Works Committee, Jim Howard from New Jersey, down to my district, and we talked about farming, and it was incredible for me to find out that there was more farming done in the State of New Jersey around there than I had any imagination of.

So it is very good to have you with us today.

Mr. Fanning, we will let you go at this time.

STATEMENT OF LELAND FANNING, MORRISVILLE, NY

Mr. FANNING. Thank you, Mr. Thomas.

The first thing that amazes me about laws that you make down here is how fast they affect us. When they signed the PIK Program into law down, like the 17th of March it was, in 1983, I believe it was, 2 days later, when we go to buy our soybean, it is $40 a ton higher, and the farmer probably didn't make the $40. It was made on paper.

But a lot of legislation that is passed here doesn't trickle down to the farmer. We still have to go before a committee of peers that judge whether we get it or not.

Now, I know, in 1977, I wanted to buy a silo. I had lots of information sent to me from programs that would supply a structure, and I thought I qualified and everything, but I went out to their supervisor, and he told me that I didn't even have enough money to buy bread, and he laughed at me.

Then when the milk tax came they had the Diversion Program for the dairy industry, and I thought, I have milked cows for a long while; maybe I will take it a little easier and maybe I will see some of the country.

So I went out, in January of last year, 1984, to see about getting on the program, and one of the first questions that he asked me was, did I sell any cows for dairy after November 8, after President Reagan signed the bill, and I said, "Yes, I took two heifers down. I needed the money and I didn't need the heifers." He said, "Well, you aren't eligible, then."

I couldn't believe it, and he explained it to me, and I said, "Well, that's a stupid program." If you made the program, then you made a stupid program. If that was the way it was supposed to be—I mean, nobody knew in January. They didn't even know what the program was going to be in January, and we had already done those things.

But what amazes me is, really, I had a negative income last year. I sold 1.6 million pounds of milk and really lost $6,000 in the process of doing it. So slave labor is still with us; it is still doing good.

Now, I think the problem is, like somebody said before, there is no minimum wage for the farmer. I don't know of any other group that doesn't come under minimum wage. But he works for nothing, and then they say, Well, we will loan you a few more dollars, and that's the last thing you need, more debt. You already have too much of that.

But I think it is our strong dollar right now that is causing us a lot of problems. I know we live close to Canada, and they are dumping in vegetables and they are dumping in eggs and lots of pork and cows. Just 10 days ago, last Thursday, I saw them sell dairy cows. There were three loads of them from Canada 9 miles from my place that were sold, and one of them brought like $1,000.

Well, when that guy drives home, 100 miles away, he doesn't have $1,000; he has $1,320. Their cow is not worth any more than our cow is, but their paper is worth more than our paper. So it doesn't necessarily make profitable business.

I think with this whole program—we were talking about farmers, but the shoe industry is just as bad as agriculture, the textile industry, or steel industry. They are moving out of the country, too, and I think this—like every month you hear the news about a $10 billion trade deficit.

I think we are selling America. America will be gone. Our trade deficit with Japan alone is like $40 billion a year, and they bring that money right back to America. They buy our banks and they buy our businesses and they buy land, and they invest in America, and they will be the ones that own it if we don't turn it around and do different than we are doing now.

I know, I couple of years ago, I could have said I come from a family farm, but actually, my wife left home June 7, 1983. She said that I could stay there and work if I wanted to, but I didn't get enough money for my work and she wasn't going to do it anymore, so she is in Arizona.

So I think it is really bad for the people out of work, but it is a lot worse to work and not get paid for it. I think if Congress and the people support the American farmer, they won't lose, but if they reject him and don't support him, I think America won't win.

That is all I have to say.

Mr. THOMAS. Thank you, Mr. Fanning.

We have Ms. Margaret Thoren from Chagrin Falls, OH.

We are glad to have you with us today, and we will hear from you at this time.

STATEMENT OF MARGARET L. THOREN, EDITOR, TRUTH IN MONEY, CHAGRIN FALLS, OH

Ms. THOREN. Thank you.

I am here representing an organization called Truth in Money. That is an educational publishing organization, and we are publishers of the "Truth in Money" book and also publishers of the Truth in Money bulletin.

I am from a rural area in northeastern Ohio. I grew up on a farm there. I have a lot of sympathy and empathy for the problems of the farm, although my background is as a student of the money system. For about the last 10 years, I have devoted my entire time to understanding the money system as administered by the Federal Reserve system.

Many of the testifiers today have mentioned the Federal Reserve, and therefore, what I have to say is absolutely relevant to the problem at hand.

Several years ago, we were invited to Nashville to the AAM meeting there. When I came back, I wrote this bulletin entitled, "Are Farmers Failing or is the Money System Failing the Farmers?"

What I learned at that AAM meeting was that history is repeating itself. The Greek civilization went down the drain with the farmers going down first because of the money system. The Roman empire collapsed for the same reason. France, during the 18th century, fell apart for the same reason.

What we are witnessing now with the farming problem is in a fact a symptom of a breakdown of the monetary system. Now, why is this? Have we not learned anything about how the money system works in the last 2,000 years?

The answer is yes and no. First of all, the no. Under the present system, as administered by the Federal Reserve, money is created as debt and by that I mean when the farmers go into their commercial banks and take out a loan, they are in fact doing their neighbors and their bank—the banking system, I should say—a tremendous favor, because the banks create that money out of nothing and lend it to the farmers.

Lest anyone in the room think that I am making this up, I would like to read to you from a publication called "The Story of Money," written by the Federal Reserve Bank of New York, and I am quoting here. "One institution—the commercial bank—creates new money, checkbook money, when it lends. Producers and workers borrowing from commercial banks put this new money into circulation."

Now, what is wrong with creating money as debt? Simply this. You only ever create the debt principal. The money needed to pay interest on that debt is not created within the system at the time the debt is made. Therefore, it is mathematically impossible for all debt principal and all interest to be repaid aggregately by the entire economy at the time the loans are due.

Now, in saying this, I am not saying that there is something wrong with your local bankers—there is not—because we have seen that the farmers go down first, followed by the local banks. This is a system problem. It is a problem within the structure of the system, and President Abraham Lincoln was the only President in modern history to have gotten around this problem by commanding the Congress to get the Treasury to issue debt-free money and spend it into circulation, and if they hadn't done it, we would be spending about $152 billion to pay for the Civil War debt today.

There is a solution to the problem, and it is in debt-free money. It is not the problem of the local bankers. They didn't invent the system. The system is in place.

So what can be done to help the farmers immediately? First of all, there should be a moratorium on all farm foreclosures immediately.

And if any loans are to be made by the Government to the farming sector, they should be made at interest rates of between 3 and 6 percent and no more.

The farmers don't need more debt. You as Members of Congress don't need more debt. That is what you are struggling with. And the country doesn't need more debt. The country, in fact, doesn't need the debt money system. We need a revision. We need a Lincoln money system where there is debt-free money available for everyone.

Thank you very much. If anyone would like a bulletin, I have them here. Thank you.

Mr. **Thomas**. Thank you, Ms. Thoren.

Since you have been in here a good bit today, you probably know that that bell signals something going on over there. That was another vote, a recorded vote, for which I have got about 12 minutes to get over there, and so, rather than start with the other witness, I think we had better, at this time, forgo.

Well, what I will do then is just sort of bid my adieux to you. When you are finished with your statement, Mr. Tallon of South Carolina, who is a colleague of mine on the Agriculture Committee as well, might take over.

But let me just again commend you for coming here today. I heard some very interesting testimony in the short time that I have been here. Let me commend you on what you have done. This becomes a part of the record here, and the record is important.

I guess I would just say one thing. Having been a farmer myself, I know that these are very frustrating and troubling times. I go back to the year when we came here, and we sat down with members of the Agriculture Committee and other Members of Congress, and we seemed to think, well, the problems are very obvious; surely you can adjust and get policy that will deal with it.

It is a big problem in this country to get any major legislation. Agricultural legislation pertains across the Nation. It cannot be written regionally. So I am one who has come from where many of you come from today, and now I am sitting on the other end of the spectrum. I still think of myself as being a farmer. I still work with my land, although I am not farming it myself at this time.

But I will say to you that the House Agriculture Committee, I can speak for it because I have been a part of it now going on 3 years, and there is a lot of bipartisan cooperation over there. There is a lot of effort and there is a lot of concern. You just have to keep in mind that what we need is your help to help get the message and the word across to people who are not from farming areas, who are not farm, and agricultural, and rural people but are from the urban areas of this country, where we have to hammer out a consensus to pass any kind of legislation.

And so, although I know, as somebody put very aptly a while ago, that the daily decisions of the House Agriculture Committee affect you directly, and sometimes very hurriedly, as someone pointed out, in the case of the PIK Program, it is not always easy to get this consensus up here and to get it to the floor and get it to a clean vote.

But I will tell you that your House Agriculture Committee works very hard for you. A lot of our legislation last year died on the floor in the Senate. H.R. 1190, which was the emergency credit farm bill that we worked very hard on and passed in the spring of the year, languished and became history on the Senate floor with never even being taken up.

I am not blaming the Senate, but I am telling you that we are working very hard. I am, the members of the committee, and the chairman. You want to keep the pressure up. Do it in a constructive way. I don't mind if you get frustrated and want to come beat on my door and holler at me, because I have been out there with you.

But let me go ahead and turn this time over to you, Mrs. Shultz. I have not impinged on your time. You will still get your full 5 minutes, and we will be glad to hear from you at this time. Again, it has been a pleasure to be with all of you.

STATEMENT OF LEE ELLEN SHULTZ, SCOTLAND COUNTY COMMISSIONER, MEMPHIS, MO

Mrs. SHULTZ. Thank you, sir.

I am a farm wife. I am also a county commissioner. A county commissioner in Missouri budgets out the money for the county. She also inspects roads, bridges, figures out what kind of rock they are going to put on these roads out here.

This person, a county commissioner, also understands the finances that it takes to run government. She also understands that sometimes we don't see the forest for the trees. The trees in this case are the family farmers, because we, sir, are the backbone of this Nation.

Far too often, and far not often enough, we don't get patted on the back, not nearly enough, because we feed the world, sir. You heard it all afternoon. What we farmers are here today to talk to you about are sound proposals that, No. 1 will put a moratorium on FmHA farm foreclosures, put conservation back into practice, put a floor price under our goods, help eliminate a lot of costly imports into this country that are killing us out here—and I mean absolutely killing us.

You have read the statistics. You know, sir, perfectly well how adversely that affects us. Granted, we are a people of many nationalities that came to America, but we have made this country a very workable place. We have taken in a lot of people from all over the world. We have fed them, and all these people in this room are very good at what we do. We are so good that we are being displaced, and it is a sin and it is wrong, and you know it because you have been there.

What I propose today is the Family Farm Reform Act of 1985, put together by Jim Hightower, Texas commissioner, along with gentlemen from Minnesota, the University of Missouri, and Iowa.

It not only encompasses conservation practices, a floor price, elevating every year, but also it includes food for humanitarian programs.

This program can be worked out, and it is the revitalizing of America, because the report that I handed to you in the blue-bound book is a composite of all the small businesses in rural northeast Missouri, from the judicial system, county government, oil dealers, MFA bankers. All these different people have said, "Look. What happens to us happens to you, all the way down the line."

So the next time that you are invited to the White House to visit with Ronnie Reagan, ask him, "Sir, would you like to live with 1943 prices, because that is what you have asked the American farmer to live with?"

[The Farm Policy Reform Act of 1985 appears at the conclusion of the hearing.]

Mr. THOMAS. That is a good note for me to end on. I have just 6 minutes to make it to the floor for a vote.

We will suspend the hearings until the next chairman arrives.

[Recess taken.]

Mr. **Bedell** [acting chairman]. The committee will come to order. Our next witness is Ronald Werstein, who is from Princeton, KY. Mr. Werstein, we are asking everyone to try to hold their testimony to 5 minutes because we have so many people who want to testify.

STATEMENT OF RONALD L. WERSTEIN, PRINCETON, KY

Mr. **Werstein**. Thank you, Mr. Chairman.

I am Ronald Werstein from Princeton, KY, Caldwell County in western Kentucky, and I farm, row-crop, approximately 1,500 acres.

I chose to be a farmer in 1960 through 1968. I worked public works and I farmed on the side. Farming looked like maybe it would be all right, and I wanted to farm. I was born and raised in Iowa, but my family didn't own a family farm, and I didn't have the opportunity to farm.

But in 1972, we bought a farm. I paid $35,000 for that farm. I worked for the telephone company; I had good wages. We saw the farm grow a little bit. We made a little bit of money.

In 1978, the telephone company, through technological displacement, I lost that job. I decided then I would go to be a full-time farmer. Things were looking fairly well. We were decreasing our debt and were paying for it. We were making a living.

The first part of the eighties wasn't too bad. I had a little bit to fall back on. I had a net worth that was close to a quarter of a million dollars. We never had any major problem. We scrimped. It was just me and my wife working on the farm. We raised a little bit of tobacco and a little bit of corn and a few cattle. We didn't have any labor bill.

Well, then the eighties. But farming is a hazardous business, and in 1982 and 1983 and 1984 we started to go down. We couldn't make interest payments. We couldn't pay anything on the principal, due to buying machinery that the Government, the past administration, said, plant fence row to fence row. In the mid-eighties, the world is going to be hungry. Farmer, you've got to feed the world. So we said OK, we'll feed it.

And so we planted fence row to fence row. We went out and we bought tractors and we bought combines and we made a debt, but we did it on good advice from what we thought was responsible people in Washington. Now, it wasn't this administration but it was past administrations. But we did what we thought our Congressman, our President, our Secretary of Agriculture thought we needed. Feed the world; it's going to go hungry.

Now, we had the big debt, and then we didn't get the prices. We didn't get what the man said. Feed the world; there will be a need for your product. We didn't get that. So here we got out on a limb, and here, all of a sudden, we get the limb sawed off behind us.

I mean, we have got now, with no prices, we have got a big debt that was created in the early eighties, and there is no way that we can even pay the interest payments. It is a hazardous business, I know it is.

We had two children. In 1982 I lost a 9-year-old son to a farm accident. Now, I know it is a hazardous business, but I was raising this son to be a farmer. I still believe that farming is the way. It is the only American business left.

Now, everything else is owned by big corporations. We are the only independents left. We are a small bunch, but now I lost my most precious possession, and, by golly, I can lose this farm, but we need the farmer of the future in here.

Now, if you want the one I've got, then that is fine. I can go on welfare. But now, the farmer of the future cannot make it, either, and we need to help him. If we don't accomplish anything today that we need desperately, and if we don't accomplish anything in 1985 which we need desperately, maybe in 1990, when this country is in bad shape, then maybe we can accomplish something for this future man, because my farm is—I mean, I hear this man say it is the top of his priority. I have got a daughter now, 16, and she is on the top of my priority list, next to the good Lord Himself, but now my farm is not on the top, and I can lose it, mister, and I have a lot of debt. I have a debt of half a million dollars. But I can lose it, and the Farmers Home Administration, they can have it.

Now, I try and I try and I work 19, 20 hours a day in the spring and in the fall, and I feel like me and my wife and my family try to make this business work. But if it takes me to go down the tubes or to be plowed under, like Mr. Stockman says, then I am willing to give it up for the future of farming and for the future of America.

Thank you, sir.

Mr. Bedell. Thank you very much for your testimony.

Are you folks aware of the fact that we are voting right now on the floor of the House on the farm credit bill? That is what those two lights are. The vote is on right at this time. When I left, it was well ahead in regard to passage.

Mr. Crist, we are glad to have you here. I understand you are from Macon, MO.

STATEMENT OF JOHN R. CRIST, MACON, MO

Mr. Crist. Mr. Bedell, I appreciate the chance to speak to you.

I started farming in 1974. I quit college in the middle of my second semester because I thought, in 1974, there was a great future in farming. My family has farmed all of their lives. My grandfather is a banker; my father is a preacher. They both farm, but neither one of them has ever made their living totally off the farm.

In 1974, I tried to make my living totally off the farm. I started out with a debt of approximately $60,000 for the small farm and machinery and a few head of livestock. Today I have a debt of $290,000. That is quite shocking, in 11 years, to go from $60,000 to $290,000.

But I don't feel it has been my management problems. I feel that my problem is that my cost of production was never covered by a profitable price.

Each year my land value went up, and each year I was able to go in and borrow the excess amount of money when my price didn't quite cover my cost of production, so each year my debt went up. Now, in 1980 and 1981, land started deflating. I could no longer borrow any more money, and so I am at the point where I am going to have to get out.

What I would like to call for, Mr. Bedell and those of you that are on the Agriculture Committee, is the same thing, very similar to what you are passing, but first, I think we need a complete moratorium on all debt from all farm loan institutions.

Now, I know that puts the small banks in a bad position quickly, because my grandfather is a banker. I, too, am going to enter the banking business next week. A year and a half ago, I went back to school to reeducate myself, and now I have a job starting in the banking industry, and the guy who is hiring me wanted me to come up here and tell you what he wants, and I would like to do that.

He says that the FDIC, which I know you have no direct control over, but yet I think you have input to, can guarantee the 7 percent capital that is required of small banks or of any bank, and therefore would allow small banks to continue in business and loan farmers money, and if they would guarantee the 7 percent excess capital that they have to have, just as they guaranteed Continental Illinois' capital that they had, then the local small bank could go along with us farmers much longer. I would like to see that happen.

The other thing I would like to address is the soil conservation issue. Consumers are worried about the soil flowing down the rivers, and the reason that this soil is flowing down the rivers is one thing, and that is, we have had to plow up marginal ground—and I am guilty of it.

I couldn't make it with cattle. I couldn't make it with hogs directly. I had to plow up more marginal ground. I have seen times when it has rained excessively hard, that I have gone out and seen my soil washed down the river, washed down the creek, and it has made tears come to my eyes.

But the only reason I plowed that up was because I could not get a profitable price on my livestock.

If we could have a price, we could take care of our own conservation problems. We could hire dozers to terrace for us. We could have our waterways seeded and do these things. But unless we get a price, there is no chance of having good soil conversation methods.

I would like to ask one question of the Agriculture Committee, Mr. Stockman, Mr. Block, and Mr. Reagan. I would like for them to name one person, one person in the United States, that profitable agriculture would hurt, just one person. If we could get a price, there is no one that we would hurt. Thank you.

Mr. Bedell. Our next witness is Neal Rogers from Eaton Rapids, MI.

Mr. Rogers, we are glad to have you with us.

Mr. Rogers. Good afternoon, Mr. Chairman.

Mr. Bedell. I might interrupt you to tell you that the House did pass the credit bill.

[Applause.]

STATEMENT OF NEAL W. ROGERS, EATON RAPIDS, MI

Mr. ROGERS. My name is Neal Rogers. I am a dairy farmer from Eaton Rapids, MI. My family and I operate a 60-cow, 400-acre dairy farm that is in its third generation.

Over 90 percent of our herd is home bred. I would like to show you in this testimony today what has happened to us, because we just closed the books from the past year, and it is really shocking, because we could see this coming back in 1982.

So on this farm, this dairy farm, and not having to increase the number of cows that we have, we have just, through culling and better management, we have increased our production schedule. Our total pounds of milk off the farm was 81,297 pounds more in 1984 than it was in 1983, because we had a cost problem here that we were going to have to solve, so we thought maybe we could get ahead of this thing.

The total dollars of milk that we had sold off this farm from 1983 to 1984 was $10,321.53 increase over 1983, which we thought we were really doing a great stroke of business because we had taken in more money.

But then they come along with this 50-cent dairy tax and put this on us, and so we are now paying back into the Government 50 cents for every 100 pounds of milk, and in the last year and a half we have ended up with better than $4,000 being paid back, taken out of our milk check.

Our total expenses this year over last year had gone up over $20,000, almost $21,000. So after we got done with the increase in the amount of milk we had sold and the milk tax and the increase in cost of expenses, we actually lost $3,258.54 because of the big increase in operational expenses, light bills, taxes—of course, fertilizer was up, fuels were up, and repairs were up.

But if we would have had a reasonable return in the marketplace, our total income this year on that farm would have been up better than $79,000.

We are looking at cost of production in the State of Michigan to produce 100 pounds of milk at $15, and our market is at $12.60. So it doesn't make any difference if you have 500 head or you have 100 head; the cost pretty much ranges the same right across the State.

So we are seeing a lot of dairy farmers liquidating. In fact, this month alone, there are going to be over 6,000 head of cattle sold in the State of Michigan that will be liquidated through auction sales.

If the farmer had a decent price above the cost of production for his milk, it would actually cost the consumer, for an 8-ounce glass of milk, 7 cents more than it does today.

I also am a farm consultant. I work with about 300 farmers in the State of Michigan at the present time. This is ranging in farms from 3,000 acres, 70-year-old people, to 25-year-old people with 500 acres.

It doesn't make any difference what the size of the farm is or what the age is; we are all going broke. Figuring the cost of production across the board in the State of Michigan, every bushel of corn that has been raised in the State of Michigan this year, the farmer lost a dollar a bushel, and there is no company or no businessman that can keep in business that way.

One of my suggestions is that we have an immediate moratorium across the board on all farm loans. I am very happy to see this credit bill passed. It is an emergency. But down the road, when you get ready to write the 1985 farm bill, we need a price put in that. We don't need more credit; just a price.

Thank you.

[The prepared statement of Mr. Rogers appears at the conclusion of the hearing.]

Mr. **Bedell**. Thank you, Mr. Rogers.

I might point out to you what the administration's proposal is for the target price on milk by 1990. Ready?

Mr. **Rogers**. Yes.

Mr. **Bedell**. $7.12.

Our next witness is Mr. Deane Meinhardt, who is from Kahoka, MO.

We are glad to have you here, Mr. Meinhardt.

STATEMENT OF DEANE MEINHARDT, KAHOKA, MO

Mr. **Meinhardt**. When we left Kahoka, in the northeast corner of Missouri, Saturday afternoon, I didn't really feel like we had much of a prayer up here. But in the last 2 days, my thinking has turned around. I am hearing words like "commitment" and "involvement," and I kept thinking, what are we talking about?

Sitting next to my neighbor this morning eating breakfast, I kind of got the definition. He was eating bacon and eggs. The hen was involved, but the hog that produced the bacon was committed.

This is about the same way the people of Capitol Hill are. You folks are involved with farming; we are committed with the family farm. There is a possibility that the family farms are dying. If I have to, I would get down on my knees and beg you folks to help the family farm. We need parity.

People shy away from parity because they say it is going to drive the costs up. In 49 States of this country, for every bottle of liquor that is made, they have a parity price written in. It is not any more fair for us to have parity than it is for the liquor man.

So I would like to ask everybody who is involved on Capitol Hill, please let us have parity.

Thank you.

Mr. **Bedell**. We have with us Virginia Smith, a very active Congresswoman from Nebraska who has been in the leadership in trying to do what we can to help all of our farmers, and I am pleased to have her introduce Mr. DeBoer.

Mrs. **Smith**. Thank you, Mr. Chairman.

I want you to know that I would have been here earlier to hear more of you, but I was over testifying on the farm credit bill and voting there and working in my Agricultural Appropriations Committee, where we were hearing the ASCS people testify today.

I am delighted to get here, and I want you to know, Mr. DeBoer, I made a very special effort to get here because Stan DeBoer is such a good friend of mine, and he is such a dedicated agricultural leader.

You know, I have been a friend of Stan DeBoer's for a long time. He did a great job as the head of American Agriculture in Nebraska. He studies the issues thoroughly, Mr. Chairman. He is fully informed. He makes excellent testimony. And, moreover, he backs up that good representation of farmers by being a Christian gentleman, having a fine family, fine Christian family, community leaders, concerned for our Government, and so I am just delighted to introduce Mr. DeBoer today.

Mr. **Bedell**. Thank you very much, Virginia.

Mr. DeBoer, I think you are going to be our last witness because we have to vacate the room at 4 o'clock. So you are our clean-up batter here today, and we are glad to have you here.

STATEMENT OF STAN DeBOER, SMITHFIELD, NE

Mr. **DeBoer**. Thank you.

Thank you, Congressman Bedell, and thank you, Virginia, for coming over and introducing me in such fine fashion.

I guess it is my opinion that at some point in time we have to recognize that even though things are not that good in agriculture, maybe possibly we can look back at things that we have done in the past and capitalize and put together something that is a little bit better.

For that reason, I think it is good that we look back at the 1981 farm bill and see where some of the flaws may have been in the 1981 farm bill, because I do not believe the thing that is said, that Congress cannot write a farm bill. They are going to write the farm bill that comes out of here, and we certainly hope that we can participate in making it better.

In 1978, we came to this city, and at that point in time, the price of corn in Bertrand, NE, at our elevator, was $1.43 a bushel.

Since that time, and by the time we reached 1980, we have seen the price of corn raised from $1.43 a bushel to $3.25 a bushel in Bertrand, NE. That was nothing more than effort by Government to change the price of the commodities of agriculture, and they did so.

We continued in the same manner into the early eighties, although we had some problems that developed at different times that affected some. Some of the people that are here, including myself, were affected by those problems, and as a result of that, they are clearer.

But the 1980 crop of corn that was denied entry into the reserve, when the reserve was recreated and they denied entry of former participants, it actually started the downturn of the price of agriculture, because at that point in time, the 1980 crop of corn was available to the marketplace with no protection other than loan, and we were looking at about a dollar under.

Myself, as a person, I depended on the fact that the law indicated that there was a reason for that being created, and that was that at $2.80 we were going to protect the producer, and that at slightly over $3, we were going to protect the consumer, and the idea of that was to build some stability and price into the pricing of grain.

When the price fell over the trip level and started on its way down, I believed that that reserve would be recreated, but it wasn't. And when it fell a full dollar, Secretary Block finally implemented a reserve, but they denied reentry of former participants.

As an individual, it cost me $100,000. I went to the USDA today, and they indicated to me that that was not in the regulations, that it was at the discretion of, and as a result, there were a lot of us that got hit by it.

We then went on to 1981 and 1982, and every one of us, or a lot of us that are here, were in the halls of Congress asking that we reduce production and cut back. We didn't. In the fall of 1982, as an individual, for one reason, I guess, and that is survival, I looked at my options. In 1982, I had a loan capability of $2.65 a bushel, but if I would go into the reserve storage program, that was worth an additional 35 cents that I wouldn't get if I didn't go in, and an additional 26.5 cents that was going to be there in the event that I finished the building construction.

I finished that building and completed construction on it, transferred my grain into that building, and on January 12, 1982, they announced a PIK Program that emptied that building.

Today that building, a 150,000-bushel bin, is sitting empty. It has a $37,000 annual payment on it. And, at the same time, in the same community, Schuler Grain Co. has got facilities that are being paid for that have never had grain inside them.

That is another thing that has happened as we have continued up the line. This time it was not only farmers but local elevators, and they were going down the tube.

In the early bill, we saw a statement in there that said that the Congress would require the Secretary of Agriculture to formulate and administer a producer storage program for wheat and feed grains in order to stabilize price and provide for orderly marketing of commodities.

This year, in Nebraska, we lost 40 cents on the loan level, 26.5 cents of storage that would have been available and would have reflected into the price. A total of 66.5 cents a bushel was lost off the price of corn. Today corn in my town is $2.49 a bushel.

To the State of Nebraska—and I know not what the figure would be here—but to the State of Nebraska, that reflected into $600 million of taxable income at first point of sale.

These are the types of things that I think, if we are willing to write the laws, that if we use them, they will work. There is no question about it.

A farm bill can be written. I will guarantee you, the farmers will not be in Washington testifying. It may not be at the level that we would like to have it, but it will certainly be at a level that will keep the farmers at home and keep them producing for the people of this country.

I think if I were to identify two words that caused the American farmer more problems than any other two, it would the word "average," and the other word is, "at the discretion of the Secretary." Those two things I do not think should be in the next farm bill. If it is worth writing, it is worth enforcing, and I think we are depending on it.

So with that, I would like to leave with one thing, and that is, we continually read in the papers that not all farmers are poor, and I guess my answer would be to that that we realize that not all on the outside are rich, but we are both working in our own direction, and I think that is where we are.

Thank you.

Mr. **Bedell**. Thank you, Mr. DeBoer.

Before we close, we have been joined again by the chairman of our Agriculture Committee. Do you want to make a statement of any kind, Kika?

The **Chairman**. Just briefly. I want to thank all who have testified during the day and all who came. You have heard that we approved the credit legislation, and maybe it will help some. We don't know what will happen when it goes to the White House, but we do appreciate your input.

I want to assure you that we stand together in our committee on both sides of the aisle to try to do something for rural America and for the producers of America. If we don't, it is not going to be because of any lack of intent, courage, or fortitude. If we don't do it, it is because it couldn't be done. But if you go down, I assure you we will all go down with you, or we will work something out somewhere along the line.

Thank you for being here.

Mr. **Bedell**. Thank you, Mr. Chairman.

Mrs. Smith.

Mrs. **Smith**. I want to thank you for welcoming me here and thank Mr. DeBoer for coming in.

Let me tell you, Mr. Chairman, he came at his own expense, and he lives 2,000 miles from us here in Washington. We really appreciate that fine testimony.

Now, let me say that this afternoon we have passed the farm credit bill out of the House. This bill contains the same language that I had put in my own bill earlier, which provides that if you cannot get credit elsewhere, 50 percent of the Commodity Credit Corporation recourse loan money will be available when you sign up. This will put some money into farmer's hands and bypass the FmHA office, which has such a bottleneck of paperwork that they just cannot get on top of it.

This will provide additional guaranteed loan money. It provides for this advance payment on the Commodity Credit loan. Let me point out (as Mr. Bedell did very effectively on the floor) that over the next 6 years, this would only cause a spending increase of $264 million, not a big bill—some increase this year because we would get the money ahead of time, but less payment next year in the next year's budget.

So I do appreciate all of you being here, and I want to tell my colleagues here in the House from these three States that we had 225 people at the Nebraska breakfast this morning, more than we have ever had before. We had 10 farm and ranch organizations and related organizations at the breakfast. A lot of you are here today, and we are thankful that you came in. I think you are going to have a real impact while you are here. Thank you very much.

Mr. **Bedell**. Thank you, Virginia.

We are also joined by Congressman Pat Roberts from Kansas, who is a very active member of the Agriculture Committee. Pat?

Mr. **Roberts**. Thank you, Mr. Chairman.

I would like to ask a question if I might of the audience, with a show of hands if I could, please. How many were here during the flexible parity business of 1977 and 1978?

[Show of hands.]

Mr. Roberts. Had we passed that bill—I still have the vote as to who was for it and who was against it—doubtlessly, our problems would not be nearly so severe as they are today.

A lot has been made of the cost of the current credit package, and I worry about it. We had cost estimates ranging from $450 million to $9 billion, and it shows you what our problem is back here in terms of estimating costs.

Let me say that I think cost is the issue, but it is the cost of not acting that is the real issue. I am going to make a prediction to you that until we really address the issue the way it should be addressed, farmers are going to be back here. This is just Rocky I, folks. This is the second round in Rocky I. We have Rocky II and Rocky III coming.

So I guess I would say to you, for all of you who worked so hard back in 1978—and at that particular time, I was a staffer, I was a bucket-toter—now I have the privilege of being a member—I guess I would say to you, welcome to Washington; we haven't shot the bear year, but we will keep shooting.

It is a bipartisan effort that we are about, and again, I think the cost, really, of not acting is what we are really faced with.

I have some battle ribbons from 1977 and 1978. We had over 1,000 people at that particular time from the great First District of Kansas. I think part of our people were actually founders of the American Agriculture Movement—I don't think; I know—and these are personal friends of mine.

We don't have that many here today, mainly because they cannot afford to come to Washington, and so, consequently, it is up to us to act. We will act. We will do it in a bipartisan manner. Doubtlessly, we will not act in time or the way we would all like to if we could simply sit down and simply write a bill.

I would add only one other thing. Don't lose your faith. The farmer would never put the seed in the ground without faith and optimism. This is still a great country. The fact that you are here and your impact is being felt, don't lose that faith, don't lose that optimism.

I welcome you personally. We are in room 1314 over in the Longworth Building. We still have coffee cups dating back to those old days of 1978, so come on back and get your coffee cup and sit down and call home if you want to call home.

I thank you, Mr. Chairman.

Mr. Bedell. Thank you, Pat.

We were supposed to vacate the room at 4 o'clock. It is 5 after, but I would like to commend——

Mr. DeBoer. Congressman Bedell, can you tell me—I have had questions from several people today. On this credit bill that was passed today, does that carry the $50,000 limitation factor, do you know?

Mrs. Smith. Yes, it does.

Mr. Roberts. If the chairman would yield, there is one other thing that I am a little unhappy with in that bill. I don't want to get into that, but it was your remarks, sir, that made me think of it.

We wrote a better bill in the House. It was a very bipartisan bill. This was the only train leaving town, and we got on it. But in terms of deeming the appropriate security for these advance loans, which I consider to be the most important thing we have to deal with—that is, some breathing room, some cash flow assistance—it is at the discretion of the Secretary.

Mr. DeBoer. The advancement?

Mr. Roberts. Yes, sir, in terms of the Senate bill. I wish we could have tied it down a little bit better like we did in the House side. But let's again point out that the train did leave, and we do have a vehicle.

Mr. Bedell. I want to commend all of you for your conduct here in Washington. I met with some of my people from Iowa last night, and I explained to them that the important thing above all else is for us to leave an impression that we from agricultural areas are good people; that we are down to earth, and we are not in stir up a lot of trouble; we are here to try to let people know what the problems are and try to point out to them that it is not just our problem; it is really everybody's problem, because if agriculture goes down the tube, it is not just going to be agriculture that goes down the tube; it is going to be our whole country.

I would like to insert into the record, without objection, a statement by Leland Townsend of the National Farmers Organization.

So, with that, I want to thank you folks all for being here, and thank you for your participation, and thank you for the way you are conducting yourselves here in Washington.

The committee stands in recess.

[Whereupon, at 4:09 p.m., the committee recessed, to reconvene at the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Acc'; 30 November 1984

Rittiler
Statement

I own (or the Federal Land Bank owns) a 380 acre farm in Dodge County, Wisconsin, and which I am about to lose through foreclosure. This action was brought about by the unconscionable actions of the Production Credit Association of Juneau, Wisconsin, who, by virtue of withholding payment of my real estate payment to the Federal Land Bank, they have forced this foreclosure action upon me. And this was after receiving $240,000 from my farming operation in 1984, resulting in a paydown of my debt to PCA from $237,000 to $42,000. Past agreements for the last several years have been for me to give all my farm receipts to PCA, and they, in turn, would pay my real estate payment from these gross receipts. But now, PCA has assumed a different position which they are unwilling to alter, leaving me with no source of alternative financing, since I don't meet the qualifications for consideration by the Farmer's Home Administration. (My outside job income is too high.) So I am caught in a "No-Man's Land" as far as obtaining alternative financing. I don't qualify for anything, and with the pessimistic attitude of lenders toward agriculture at present, no help is in the offing. And the Reagan program to help farmers offers no hope because private lenders are ignoring that portion that supposedly should be helping me. As one farm group representative stated on the steps of the Iowa State Capitol, "The PCA's are running around like "mad dogs", closing everyone out."

FmHA administrators are sympathetic to the dilemma of myself and farmers like me confronted with similar problems, but are unable to help because they are not funded to be of help. What we need is Economic Emergency funding to help those of us with a viable operation through these troublesome times until confidence in agriculture returns once again in the banking community. Without such funding, the situation can only become worse and prolonged. And in my own case, time is of the essence, because my situation will be exacerbated if help isn't forthcoming before Dec. 31 of this year. Without my Federal Land Bank payment as an expense to offset last year's income, I will be looking at a 50% tax liability on a 1984 net income of well over $200,000. So not only am I being foreclosed on, ---- I am looking at a tax liability as a result of PCA's action for which I have no funds to pay, and which is totally incongruous with my financial posture at this time. And all because PCA chose to literally "pull the rug" out from under me in terms of financing my farm operation.

I am not asking for a handout-- just a chance to continue my farming operation through this period of crisis in agriculture. And we need it now, not six months or a year from now. Funding through FmHA for farmers such as myself is the only hope. And if such funding is not timely, i.e. immediate, liabilities will become so burdensome that farmers caught in my dilemma or similar circumstances will not survive. And just as the PIK program was instituted fully two years too late, long after the long-term effects of the Carter embargo had taken their toll, any help which is delayed now will be of little value in alleviating the convulsions gripping the agricultural community now. And it can only get worse and proliferate into other segments of our economy.

Thank you for your attention to this matter.

Sincerely,

Laurence W Ketteler

Laurence W. Ketteler
RR3 Box 307
Beaver Dam, Wisconsin
53916

21 February 1985

It is gratifying that you have recognized the seriousness of the farm credit crisis and the dangers that it imposes. Most of our country's citizens are not aware that 25% of our total GNP emanates from our farm sector. Our present Administration seems to be blinded to the threat that this crisis holds for our whole country. I am hopeful that your efforts will be successful and restore a base once again to our teetering economy.

I have a 600 acre operation in Wisconsin for which I presently have no source of financing for my operating expenses for 1985. I feel that my operation is as viable now as it was when my former lender, the Production Credit Association of Juneau, Wisconsin, served as my "Partner in Farming", as they so frequently advertise. But with the erosion in land values came a change in their willingness to participate in our "Partnership". Forebearance was not in their vocabulary. Even today, with the hope that some "HELP" programs being proposed will become a reality, Don Wilkinson, the head of the Farm Credit Administration from which PCAs get their funding, has emphatically stated that his organization has no interest in such programs as interest buy-downs, etc. This smacks of a bureaucracy which is indifferent to local problems and is only interested in their own well-being and preservation, as opposed to local bankers who are feeling the pinch created by this crisis in their whole community and have become conscious of the true source of the problem.

All of us out here in the rural heartland will be closely watching the efforts that you and your colleagues make to expeditiously address the problem that we face. The hopes, the accumulated toils of many years, the preservation of the most efficient farmers in the world are depending on you to prevail. You have our total support!

Sincerely,

Laurence W. Ketteler
RR 3
Beaver Dam, Wisconsin
53916

STATEMENT OF QUINTON BOYETT, KENTON, TN

In the year of 1942, I graduated from high school at the age of seventeen with four credits in agriculture. After listening to my father talking about the disappointments related to agriculture, I decided to try something else for a living.

I married in 1945 with $10.00 in my pocket. I married a wonderful woman who has been a great asset to my life. I was farming with my father until 1949 when I went to work for a natural gas firm and farmed at the same time. I worked at night and farmed in the daytime for 18 years. I thought I was stable enough to farm altogether so I gave up the job to become a full time farmer. I had accumulated 250 acres of land and built a new home and began to establish a registered cattle herd. In 1968 my son graduated from high school and went to the University of Tennessee and received a B. S. degree in animal science. He then went on to Kansas State University and earned a masters degree in animal nutrition. My son came back to the farm where he wanted to raise his children. We row crop 1,000 acres beans, 250 acres corn and 300 acres whéat.

We sacrificed 5 years to build the cattle herd in quality and in quantity until we reached 200 brood cows. We were able to sell our production successfully at a reasonable profit until the interest rates hit and the sale of these seed stock cattle became unprofitable. You cannot keep a cow if she is not making money. We sold the $400,000 cattle herd in 1982 for $150,000. That left us with a debt of $300,000 to be paid back with 14 to 18 per cent interest rates. In these years we had accumulated a total of 500 acres of farm land. All of this land was bought reasonable at set interest rates with the exception of 200 acres bought from a neighbor in 1980. We were trying to help the son get started. This loan was on a floating interest rate. Now the interest rate is so high there is no survival. About 1/3 of the income goes to interest. Everyone wants interest. It is added to our fertilizer, fuel, union-made equipment and extremely high repair parts. A $400 combine tire six years ago cost me $1200 this year. One bushel seed corn cost $75.

We make excellent crops. I am 60 years of age. I go to farm management school every Monday night in January and February to keep current in farm practices. We have been told by our business associates that we are in the tóp few of excellent farmers in our area and not to get disturbed about the circumstances. Now the time is here. There is no way to survive this debt. In fact, I told my banker just last week that we are foolish to even try.

My local ASCS supervisor gave me the latest parity figures as of October 1984:

Beans	at	100%	parity	should	be	13.00 bu.	------present	market	$6.00
Corn	"	"	"	"	"	5.31 bu.	"	"	2.80
Cotton	"	"	"	"	"	1.24 lb.	"	"	.50
Wheat	"	"	"	"	"	7.44 bu.	"	"	3.50
Hogs	"	"	"	"	"	.89.6 lb	"	"	.50
Cattle	"	"	"	"	"	.99.7 lb	"	"	.60

How can we expect to recover at this rate? Why has the dollar been allowed to appreciate 70% since 1980? Why has our exports been cut so severely? Why has our trade deficit tripled?

Real interest rates, the trade deficit and a strong dollar has killed agriculture. The embargoes hurt us and destroyed our markets. I am not saying the embargoes were not justified but everyone knows our government is using our grain for a weapon and the farmers have suffered the consequences and we think we should be compensated. I can only say that the government has dealt the farmers an injustice and surely there are countrys that think more of their farmers than the United States does.

We have been classified by some as ignorant and stupid. Maybe this is true but it sure seems strange that one farmer is still smart enough to feed 78 people and at a cost lower than anyone else can in the world.

I have not been extravagent in my farming operation. My 3/4 ton pickup is a 1978 model. My 2 combines are 1975 and 1977 models. I do my own repair work as much as possible. My crops are producing above average. My gross income is very good. When the bills are paid there is nothing left. I have not made a profit on the farm in four years.

Our government has let the largest and most efficient industry in the world down by controlling our income and not controlling our cost of producing. I have been writing to congressmen and senators for five years and nothing has changed and no one seems to know what to do. Our only survival is lower interest rates, long time loan adjustments so we can pay on our principle rather than paying only interest.

In 1980 my net worth was more than $1,000,000. Today with the loss of the cattle herd, cost of equipment, low land values, high interest rates, low commodity prices, my net worth is zero. With an injustice such as this one wants to just walk away. Some of my neighbors have done this. Who will feed the world when we quit? My father was right when he Said, " Son, they will take everything away from you one way or the other!" The time has come.

Sincerely,

Quinton Boyett

Quinton Boyett

"WHY PARITY"

"130 years on the family farm, 50 years as a farmer, and no place to go"

Author's note

The right to reprint this article is granted only if it is reprinted in it's entirety including this line and the preface.

PREFACE

As brief as I can I have prepared the following article- using many quotes- to explain the concept of PARITY.

I feel that as an observer the news media does not grasp the meaning of PARITY.

I feel that most farmers do not grasp in depth the meaning of the law of PARITY.

I feel that most congressmen either by misunderstanding or by self satisfying design refuse to do what is necessary to develop a balanced economy that is financially good for everyone- namely PARITY.

I have several statements and questions I would like to relate to my congressman face to face- perhaps you would like to do the same with yours. Let me first say that I do this with malice toward none- my statements are in no way intended for my congressman to take personally- they are for all lawmakers.

My attack is toward myself and the people of this country for allowing the direction of the thrust of our economy today, and for allowing a farm market system to operate which I believe to be illegal, and one which the farmer not only does not understand but has no power to control.

Our constitution calls for the producer of raw products, labor, and capital to operate on a par economy- today called parity. Our forefathers recognized that this was the only way a democracy could operate, and we did- for about 175 years, developing over that time the world's greatest economy. Where did we go astray?

The Constitution requires that Congress take the responsibility to issue and regulate the value of money within the realm of secured regulations. Since the 1940's the issue of new money without the security required by the Constitution has run rampant.

Just ahead of us is our government's commitment to create billions of unbacked dollars just to keep the American banking system alive.

Heaven help our children.

What do you think of our Department of Agriculture, our Congress, and yes, even the President of the United States who will attempt to stabilize our economy by violating the Constitution itself?

It is impossible to explain our government's lack of responsiblity over the past thirty years or so, and yes, it's illegal regulation of the value of money, and why has this discrepancy not hit the limelight?

I know my family's history for 130 years on the same land. I can chart the times that par- economy was protected from 1854 to 1985.

Until the reinstatement of constitutional control any attempt to solve our problem will be futile.

I know that we have to address the present trouble which our farmers are in now, and to do wwnatever it takes now. Congressmen, do your responsible duty to examine what needs to be done to control the ship of state.

Or heaven help us now.

Why parity- During the beginning of this nation, the U.S. Constitution was adopted in order to establish "for ourselves and our posterity" a par-economy. Subsections 5 of section 8 of the Constitution authorizes Congress to "coin the money and establish the worth thereof".

It has thus always been the task of the government to regulate the value of money, and the failure of the government to regulate that value today constitutes a gross derelection of duty by all those in both houses of Congress as well as in the White House. The value of the money cannot, however, be regulated without a par exchange for the earth's raw materials.

Labor and the production of raw materials cannot be separated. Lincoln told his advisors that rails should be produced in the United States, saying "If we buy our rails from England, then we will have the rails, but England will have our money. If we make the rails here, we will have both the rails and the money."

The concept of parity was born in this country during the 1920's and 30's when there was a large farm block. Political pressure was brought to bear upon the legislators so that the McNary-Haugen bill to preserve farm parity was passed.

If two individuals exchange the production accounted for by the division of labor, and one has a 10% advantage in the transaction, the favored party will have most of the money or property, and the second party will be bankrupt after the tenth transaction.

In the late thirties Congress ordered the computation of parity. The computation of parity depends on nothing more than a good base year- one in which there is no import invasion- no general imbalance in the economy- in short, a year in which basic storable farm commodities are on par with wages and capital costs.

The time between 1910 and 1914 was such a period, and the time between 1946 and 1950 could be another. President Carter's Director of Economics, Policy Analysis and Budget for the U.S.D.A. criticized the 60 year old base year, calling it a "horse and oats" economy with no modern inputs.

Parity has long been a factor in the economy- even before people recognized it as such. Just as surely as two added to two equalled four long before people could count, just as surely as the source of all new wealth has always been the soil, and just as surely as the laws of the universe were in place thousands of years before we mastered them and set foot on the moon.

Par exchange is a basic natural economic requirement, and there is only one way to conquer such a natural law- and that is through obedience to it. In 1942, while World War II progreessed, the Stability Act and the Steagall Amendment were enacted along with farm price controls. These measures placed a mandatory 90% parity on most farm crops. This balanced economy paid for the war and financed much of the restoration costs around the world.

Senator Thomas said it best when he reported back on a farm bill for parity saying that it was one geared to stabilzing the dollar.

In 1946 President Truman made permanent the temporary holding act of WW II. This has worked much to our disadvantage today by assuring that the best we could expect is continued growth of the government and unending funds for bureaucratic expansion.

Truman also supported the Administrative Procedures Act. This act took the unhandy business of writing law in detail off the hands of the Congress. Now enabling legislation could be enacted by the Congress and laws could actually be written by the bureaucrats.

On the last day of 1946, Truman declared the war terminated. The Stabilization Act had been written so that it would expire two years after the the end of the war. Had he waited one more day, agriculture would have enjoyed one more year of parity.

The next President of the U.S., General Eisenhauer, campaigned on the 90% parity issue. It was the privilege of this author to hear him say in person,"...and to you farmers, I will promise to support 90% parity for your production". 1948 signalled the end of government controlled 90% parity, and the end of a ten year period of prosperity for the farmer- the longest period since 1910-1914, and to this date.

As far as parity is concerned, 1948 was the turning point.

After a great debate, Congress reported out a farm bill that contained a strange clause, one that escaped attention until recently. The 1948 act provided for the the parity base period to be moved forward every decade. This made it possible to set parity on an unbalanced year. When 1957-1959 became the base year, farmers lost $.49 off of a bushel of corn with a swipe of a lead pencil. The base year is now 1977, and in a few years it will be 1987. It would be well for farmers to consider how they fare with the formula 1977=100%, a year which represents only slightly more than 50% of true parity. Moving the base period forward every ten years is what advisors are telling Congress- to do, and is a policy which most legislators believe in.

If farmers really understood the implications of this, a new slogan like those of the past would be shouted. Alongside the banners "Remember the Alamo" and "Remember Pearl Harbor" would be "Remember the Farm Act of 1948".

The old farm organizations- to which many subscribed- saw the processors as their enemy, the middleman as a nonfunctioning handler, and the tractor dealer as a profiteering rascal. Now, however, profits are declining in all sectors- so this cannot be true.

At simple 10% interest this nation is paying more to feed the interest mill than it is paying the farmer to feed the nation and provide exports to balance the trade deficit. This is because we are operating at 50% of true parity.

Labor, business, the service industries, the unemployed and the farmer are all partners in the fight for farm parity. Each one of them must understand that without a price for agriculture, the market system cannot function, and that without a functioning market system, political force will eliminate much of the private sector of the economy.

If parity for agricultural and other raw materials and products is a non-inflationary course to take, then why have inflation?

There are three ways to bring money into circulation-

1. The money can be directly issued by the government, with unsecured excess issues which pay government overrun costs as provided for in (but surely not the intent of) the Constitution. This leads to inflation as we have known it in recent times.

2. Money can be raised by taxing the people and then be circulated. This can lead to bankruptcy because it dissipates the nation's savings and future earnings of the people.
3. The only sound way to bring new money into circulation is through the production and sale of raw materials- the products of mother earth. When the producer- the farmer- spends the money recieved for his product, it is turned over seven times in the economy. The units of raw materials- new wealth- are transformed by industry into permanent assets of society.

This is not true, however, of the dollar of issue or the tax dollar.

Since the gross farm income represents something like 70% of all "new wealth" income, and largely gauges the industrial demand for other products of new wealth, the relationship of agricultural income on an earned basis becomes the governing factor of the economy.

There is an equation, a law of economics, as silent and invisible, yet as strong and true as the law of gravity. It is-

All new wealth comes from the soil

A dollar made by the farmer multiplies itself four times in the local "Main Street" economy and seven times in the national economy. For each dollar shortchanged to "new wealth", the entire nation suffers sevenfold. There is no way that our president can balance the budget or make the nation economiucally well without this law being obeyed, or this equation balanced. The puny millions cut here and there from the nation's budget are not in the same ballpark as the billions that can be generated by "new wealth". These extra dollars would pay back not just the money owed to the soil, but would add to the growth of the economy and many new jobs, jobs bought and paid for, not borrowed debt. If the producers of raw material products could have had double, or 50% more for their products for most of the time since 1948, imagine what the economy could be like today!

Let me inject here a word of warning- a thriving economy is one thing, and there is no limit to money if it is used as a trade exchange. BUT, the reckless use of energy is another story.That which can be generated out of Mother Earth is limited- witness the OPEC countries, and the reults of 2000 years of land abuse in Africa.

It should not be hard to understand the anatomy of all this- we have only to realize that capital is not the creation of wealth, as the banker would have us believe, but the past earnings of labor and the production of raw materials. There is plenty of capital in the capital reservoir, the problem is one of drawing it out without interest or at low interest, and allowing it to circulate through the channels of trade and flow back again into that great reservoir. The only sound way this can be done is by annual production and sale of goods and services.

In other words, "By earning it".

It has been suggested that earned money can be generated by government transfer of payment- but this is not true. This is how it is earned:

Again... Parity.

When wheat is $6.00 per bushel, the trade draws $6.00 from the capital reserve and pays the farmer. The farmer has earned this $6.00 by producing the wheat, and to him this constitutes new wealth, money that offsets the bushel of wheat, now a part of the economy. The $6.00 does not have to be repaid by the farmer to the land, the land has produced new wealth. Now when the wheat price is only $3.00 per bushel, the trade draws only $3.00 from the capital reservoir. Simple arithmetic will tell you that the flow of money in this case is only one half of the flow if wheat was $6.00. What now does the farmer do with the $6.00? He spends it with the business people, the machinery suppliers, the butcher, the baker, the candlestick maker- and each one of those in turn spends with his suppliers, manufacturers, service people, and it is in this way that the farm dollar duplicates itself and its purchasing power so many times.

Excessive debt cannot generate earned income. Borrowed, rather than earned, capital means compounded debt and ultimate explosion. All debt must be paid- if it is not paid by the borrower, then the lender pays.

The crisis is now upon us and the farmer must answer its call. If there is to be par exchange, parity must be understood as a means to that end. Farmers and every last American must understand that we are no longer living a pioneer life, that this chain is complete, this is it.

Having stated the above case for parity, I would like to qualify myself- how I know this to be true. I have lived the entire span of my life- from 1914 to the present day on the family farm. I have seen this formula in effect on our own operation and on the two generations ahead of me. I remember Armistice Day of WWI, I knew first hand the Great Depression and the droughts of the 1930's, WWII, and how the ups and downs of the economy affected our private land. For over twenty-five years I have studied progress and how it applied to my family and occupation. Our present struggle has come as no surprise to me, for I have had the privledge of knowing and hearing first hand people who I consider to great Americans who have not been governors of any state nor President of the United States.

First on the list is Carl Wilkins, a Washington D.C. economist who penned "All New Wealth Comes From the Soil".

Then Arnold Pulson of the National Association of Raw Materials.

Also Vince Rossiter, small town banker of Hartington Nebraska.

Charles Walters, Jr., publisher of "Acres U.S.A., a voice for Eco-Agriculture", and "Parity- the Key to Prosperity", which is the main source for much of this article.

Recently Wayne Cryts, a farmer from Puxico Missouri made this list. He has said, "If you will help us solve our problems, then we will solve yours".

Last, a woman from my home town, Donna Shoop, who, at a congressional hearing in Washington D.C. said, "We are here senators, as responsible farmers trying to do what we can to solve our problems. We are asking you, as responsible senators to insure that our government will act to save the family farm".

I feel that this quote should be recorded in history, along with Patrick Henry's "Give me liberty or give me death", Lincoln's "...with liberty and justice for all", and John F. Kennedy's "Ask not what your country can do for you, ask what you can do for your country".

All of the people on my list have warned farmers and producers of all raw materials that the thrust of our economy has been going in the wrong direction.

It has not mattered which political party has been in power, the trend has been the same. They have warned that we were being robbed by the same powers that had the upper hand in the old country, the powers that sent many of our forebears to this land in the first place.

I have been directly involved in the formation of two major farm organizations- the M.F.A. (Missouri Farmers Association), and the N.F.O., (National Farmers Organization), as well as a life insurance company and, most recently the American Agriculture Movement.

I know that there are a few in Congress who understand par-economy- new wealth- and parity.

I am not so certain about our president.

Some say we are descendants of monkeys, and as I look around at the wonders of this world, how all the intricate parts dovetail together, I cannot help but wonder how many monkeys it took to figure it all out. My friends and family tell me that this struggle is consuming me- what a wonderful way to die.

I am not very smart, but I don't think my mother raised a dummy either. It just takes me a little longer.

I rest my case.

Leland C Miller
Queen City Mo. 63561

Leland C Miller

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Sem.

1981

July 1982
Queen City MO
63561

To "60 Minutes":

This could be one of the most important letters that you will ever receive. I say one of the most important because I know that you receive many letters, but this is basic to our nation's survival.

I am an American farmer. I don't want you to pat me on the back and tell me how efficient I am and what a great job I'm doing, feeding myself and sixty other people--I want you to tell it like it is--uncovering the real problems in agriculture as only "60 Minutes" can do it.

The American pioneer and the American farmer are most destructive people. In the United States, we have depleted our natural resources as no other nation in history has done, in so short of a time, and this process is accelerating!

There are many reasons for this, but there are three subjects which I would like to see "60 Minutes" address with all their clout on national T.V. These areas are:

I. The economic reasons
II. The American farmer (the answer)
III. The Land and Water (it's abuse and misuse)

It is difficult to say in which order they should be taken up, but they are so interrelated that in talking about one, you would be talking about all three at the same time. Let's go the "American Dream" way. . .

I. Cash

There is an equation, a law of economics, as silent and invisible, yet as strong and true, as the law of gravity. It is--

ALL NEW WEALTH COMES FROM THE SOIL

A dollar made by the farmer multiplies itself four times in the local "Main Street" economy and seven times in the national economy. For each dollar shortchanged to "NEW WEALTH", the entire nation suffers by that much. There is no way that "Mr. President" can balance the budget or make the nation economically well without this law being obeyed, this equation balanced. The puny millions cut here and there from the nation's budget are not in the same ballpark as the billions we are talking of being generated by "NEW WEALTH". These extra dollars would add not only the money owed to the soil, but would add growth to the economy and add many new jobs, jobs bought and paid for, not borrowed debt.

II. Who holds the answer? The American farmer himself. He has not held up his end of the equation, labor and capital outrunning him and leaving him a drag on the economy for most of the last thirty years. Many farm organizations have tried to help through appeals to Washington, but none have so far succeeded. The late Senator Capper of Kansas walked that mile for the family farmer a number of years ago. Washington, however, is not, cannot, and must not be the answer.

The answer hangs on every front gate of every family farm in America, and we need a few million more front gates. There is an organization, already on the scene, that is in operation, on a national scope, set up, and ready to serve, that can help the American farmer price his raw material products at "parity". That organization is the N.F.O.

"Parity" is nothing more than a proper balance between the prices that farmers, ranchers, and raw material producers must pay the other segments of society for their goods, labor and services, and the prices they receive in return for their food and fiber products. It simply means that prices are in balance with other wage and interest costs. The American Agriculture Movement, A.A.M., has already made the word parity a household word with their tractorcade to Washington, however, I felt as I watched and listened, that the news media failed to communicate what I know the farmers involved understood. That is, that parity is not just a plus for the farmer, but a must for the health of the economy for everyone.

The N.F.O. (National Farmers Organization) is the only farmer's organization which is set up under the Capper-Volstead Act that can legally help farmers to collectively set their price and sell at parity.

It is commonly known that if the farmer has a good year, then so do all other segments of the economy, however, few grasp the fact that herein lies the "NEW WEALTH" to feed into the economy to make it grow. Labor, goods and services are just an extension of the "NEW WEALTH" developed by raw materials.

For the farmer, a very big plus right now for marketing through the N.F.O. is the fact that each sale of farm products carries with it a guaranteed check. With livestock markets and grain elevators defaulting all around us, it is necessary to know that you will get your money, now!

III. How does this tie in with the abuse of land and water resources? For the farmer, the answer lies in one word--survival. The farmer has had no one to pass his costs on to, except for the land. To make his living, he has had to draw the life out of the timber and soil. He has plowed and plowed, and covered the land time and again with toxic chemicals trying to survive. That word, "survive", keeps coming up, but the survival of the farmer is the key to the survival of us all. The fact that the consumer pays only 15 to 17% of his income for food should tell us something. If the producer is shortchanged then the land has to pay. When you think about consumers, remember that the farmer is one of the most important--if he is unable to buy, watch out!

You may ask who am I that I should be writing to "60 Minutes". First of all, I am no authority. Like Will Rogers, "All I know is what I read in the papers." My wife and I have made it in our own small way, but my concern is the welfare of my country, my grandchildren, and of course the world at large, because I believe that the family farm is the key to the survival of the world. I have rambled on in my own style, trying to present a case that you will look into.

I would like to introduce to you some other resource people and sources of information that can further (and more clearly) explain what it is that I've been trying to say. First, my wife and I are on the board of directors of a small, newly organized group called the "Earth Justice Center." It is one of many all over the nation trying to do something for the family farm and rural life in general. More widely known and respected is the Center For Rural Affairs, Walthill, Nebraska. On the subject of farm economics, there is the late Washington economist Carl Wilkins, who wrote "All new wealth comes from the soil," as well as the works of the late Arnold Fulson of the "National Association for Raw Materials," N.O.R.M. There are also others working on and studying the economic problems of the family farm, such as Dr. Harold Breimyer, economist for the University of Missouri, and Mr. Vince Rossiter, of the Bank of Hartington, Nebraska. I have heard Dr. Breimyer speak, and met Mr. Rossiter a number of years ago, although he would only know me if I described to him the occasion of our meeting. I have followed Mr. Rossiter's writings in various publications, and I believe that he is on the right track. He is a friend of the working class and could be of great help to you in your research. I intend to send copies of this letter to all of the resource people that I have mentioned.

Once again, I believe that the farmer himself, through organization, holds the answer to his problems, although farm organizations have not yet solved those problems. My own grandfather belonged to the Grange, a farm organization that held meetings in our one room schoolhouse back at the turn of the century. There must have been a need even then. As a child I rode with my father and neighbors in a "model T" Ford car on membership drives for the Missouri Farmers Association (M.F.A.) The M.F.A. has had a positive effect on Missouri agriculture, but I believe it has failed on the early ambitions to get a "price" for the farmer. I am and have been a member of the M.F.A. from the very beginning of my farming adventures. I am sad to say that now the M.F.A. is one of Missouri's largest pushers of toxic farm chemicals and fertilizers. This was not one of the original goals. I am now, and have been from the beginning, a member of the National Farmer's Organization, whose only business is marketing. This organization has come of age and bears little, if any, resemblance to the "Militant Farm Organization" that the media insists on using when referring to them. The N.F.O. has a completely new marketing system, run by farmers, for farmers. It has the ability to put the "drones" of the present system out of business, and they will go down kicking and screaming to high heaven to save for themselves the profits offered by the old system. You may contact Mr. DeVon Woodland, N.F.O. president, directly for more information concerning this system. (N.F.O., Corning, Iowa 50841.)

Finally, the land and water abuse--a topic that I am very concerned about. I live on a farm that has been owned and operated by the family since 1854. I have watched this land from "horsepower days" to the present. I know the struggle of the farm family for the "good life." I wonder at the courage of great grandfather who left his native soil in Switzerland, to travel across a great ocean and halfway across a great and wild continent, bringing his family with him. Five of his children were born enroute. Upon his arrival, having found a bit of land to call his own, he helped to establish a church of his faith. He had gained his dream!

He and his wife now rest in a little country cemetary overlooking a peaceful rural scene. Must we sit idly by while our own nation evolves into a situation not unlike that of Europe in 1835, the land in the control of the rich and selfish, the very same conditions Great grandfather fled?

I have watched as the farmer and the nation have consumed more and more energy, much of it bought from overseas, some applied to the soil in the form of chemical poisons polluting the soil and water. Now we have the whole question of the "nukes", with their everlasting danger and pollution. Nuclear energy and weaponry is a topic in itself, but it is a part of our legacy to the future generations. I suppose that we will just have to have faith--faith? We need the kind of faith that tells us that the good Lord will take care of us in our blunders.

One of the lights that I see shining in the darkness is the work of a man I have read and admired for the past twelve years. He is Mr. Charles Walters Jr., a voice for "Ecc-agriculture" in his publication, "ACRES U.S.A." (Box 9547 Raytown, MO). He has put together numerous conferences featuring speakers on the economy and many other farm related topics. To quote a paragraph from his May 1982 "ACRES U.S.A.",

> We have never been able to sell the concept of structural balance because we've never had the great communicator required. It seems to us that it took an actor to communicate the breathtaking absurdity called Reaganomics, then a better communicator ought to get across the logical, simple system called structural balanced economics.

This is where I believe "60 Minutes" or another national program can help. There is a tremendous need to communicate the problems and offer solutions. I know this is a broad field, and would be a tremendous challenge even for "60 Minutes." I have tried to convey these thoughts to my friends and neighbors for the past twenty years. I have had to be wary of even the land grant colleges, the United States Department of Agriculture, and the so called largest farm organization. No doubt they have all made their contributions, but they all seem to have been taken in by the present market system and special interest groups, such as the giant chemical firms. They, too, have become part of the problem!

While I feel smaller and smaller as I write, I also feel driven to get these thoughts out. This letter started out as one which my pastor, who is also the coordinator for the "Earth Justice Center" asked me to write concerning the water rights and big water ripoffs, especially in the valleys of California. About the abuses of the 1902 water reclamation act, the fight for which is headed by the National Land for People group. In the great valleys of California, large corporate landowners are ripping off the American taxpayer for huge sums--up into the millions. If agriculture were taken out of the position of being a "tax shelter," and put on a healthy paying basis, it would be a logical control for these units. When my pastor asked me to write, at first I thought it would do no good. Then I thought "why not?" Why not write "60 Minutes" and ask them to get down to the forces that rule us all?

In the end the problems of land and water will have to reach the problems in central California as well. Somewhere in this letter I hope I have written a word, or formed a sentance that will have gotten your attention.

If you are still with me, thank you--if not, then I have put on paper some thoughts that I needed to, for my own peace of mind. Perhaps this letter will not get any attention to the problems. Perhaps it will only stay in my notebook--to be read by my children, grandchildren and, yes, even great-grandchildren, to be read with their advantage of time, and perhaps they will say--"Well, at least Grand-dad TRIED."

Sincerely,

Leland C. Miller

Leland C. Miller

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UNITED FARMERS ORGANIZATION

EMERGENCY FARM DEBT
REPAYMENT PROPOSAL

Prepared by working North and South Carolina farmers.

FEBRUARY 1985

I. INTRODUCTION

With decreasing numbers of people on farms and increasing numbers of Representatives from urban districts, it is safe to say that cheap food is prioritized on our national agenda over a fair farm income. Farmers and the products from our farms have been used to guarantee a cheap raw product for food processors who in turn charge high prices to consumers. Many are hurting on both the farmer and consumer ends. In addition, farm products have been used in the international arena to balance trade and even as weapons to gain political favor with certain nations and to punish others. In short, our nation's farmers have contributed through our equity and labor to the American standard of living and the United States' position as the strongest democracy in the world.

U.S. farmers have not begrudgingly supplied our products; on the contrary, we have always responded to calls to increase production and to become more efficient at doing so. The fact that our record production has been rewarded with ever lower prices and that increasing numbers of farmers are losing out completely makes us angry, frustrated and in need of help.

We realize that farmers are part of a complex international system of trade which is often influenced by various political motives. The value of the dollar, for instance, has to do with the cash flow situation of our farms. Our interest payments are influenced by the world situation. Our prices received are at the mercy of global economic forces.

These forces do not operate in a vacuum, however. Foreign governments every day subsidize the production of commodities in direct competition with ours, even though farmers from other countries are also experiencing financial chaos. Corporations dominate the world trade of storable commodities. Wheat, for instance, is controlled worldwide by only five grain companies. The Chicago Board of Trade aids their control of U.S. grain. Tobacco companies control not only the purchase of U.S. leaf but work with foreign governments and producers to boost their competitiveness with American farmers. Tax breaks allowed by our government encourage non-family farminvestment in agriculture and allows livestock production to be unprofitable to the family-sized producer.

Farmers have not been operating alone. We have been and continue to be at the mercy of the U.S. and other governments as well as the large multinational corporations which have so easily dominated our price situation. We contend that "getting government out of agriculture" would only worsen the problem. Family-sized farms cannot compete in an arena with corporations. We need our government as our referee; especially since the U.S. government has played such a huge role in putting us where we are today.

The international situation in agriculture is important background to this proposal. By looking back at the government's role in agriculture we believe there is ample evidence to take most of the blame off the backs of farmers. We are victims of circumstances beyond our control.

We contend that the lifting of acreage reduction programs and the emphasis on expanded production as stated in the Agriculture and Consumer Protection Act of 1973 had much to do with our current crisis. We believe that mandatory production controls based on actual need for our products, coupled with a break-even floor price, would allow profit to return to agriculture. The "market clearing prices" proposed by some would simply be "family farmer clearing prices". There will never be such a thing as a free market for U.S. farmers.

Long-term solutions are an absolute requirement. Returning American agriculture to the family farmer with responsible programs targeted to a size farm where most efficiencies are reached is required. Taxpayers should never be asked to subsidize a farm of a larger size as with the PIK program. Tax breaks for non-family farmers will have to be eliminated so that we can make a profit.

While we have mentioned long-term solutions, and these are worth a separate proposal in themselves, we are in immediate need of short-term debt relief. We must remember that debt-relief is only as good as the long-range solutions which allow us a profit to repay those debts.

II. PURPOSE

This proposal is written with one goal in mind: to save the family farm. Already we are watching our neighbors and friends go under. They are part of the cold numbers of foreclosures and foreclosures disguised as liquidations. All of these numbers represent broken dreams, lost income, and a loss of one more part of the competitiveness and innovation which has made American agriculture so strong in the past.

This is a proposal that would help each farm family caught in circumstances beyond their control to restructure their debtload on an individual basis. Farmers who have struggled to make their land productive and who have watched their equity dwindle as their land and equipment loses value daily should not be replaced by a new farmer who can take advantage of depressed prices. Present owners, not new ones, should be the target of our emergency aid for farmers. Of course we should encourage beginning farmers but they should be allowed to enter farming in situations not connected to farm families in financial straits who are being pressured to sell out. Immediate family members should be given first option to buy their family's farm, if agreeable to the present owner.

In addition, small as well as large family farms should be helped by this program. Family farms which derive at least 70% of their gross income from farming should qualify. Family-owned corporations should qualify as long as they meet this criteria. Farmers with off-farm jobs taken on to help service their farm debt should not be excluded from this help.

III. THE DEBT-REPAYMENT PROBLEM

With our present debt situations, those of us who did not inherit our land and equipment cannot farm our way out of debt. Everything we own has been devalued and all that we produce is bringing ever-lower prices.

Most farmers in the Carolinas have outdated equipment. Even the best farmers are operating with equipment purchased on the average of 1975 to 1977. We cannot keep our land, equipment, or livestock up to its maximum efficiency.

Many of us have increased our acreage to help service our growing debt. Others of us have decreased our operation hoping that the proceeds from sold land and equipment along with decreased operating costs would help our cash flow. Many of us have barely scraped by and have paid the current year's bills but we cannot farm away the debt regardless of the method of improving our operation we use.

PROPOSAL

We propose that each farm family be allowed to reduce their overall indebtedness to a serviceable level. Pertages of indebtedness figures cannot work here. Each farm is vastly different from another.

*A figure using a 3-5 year average of production of a particular farm produces should be calculated. This will determine the amount of debt the farm in question can service. Off-farm employment should be included if a family member is already working off the farm. This figure then will be used to determine the SERVICEABLE DEBT to TOTAL DEBT ratio.

*An appraisal done by an independent professional, to which both parties (lender and farm family) agree, should be carried out to determine equity for the current year's operating loan and for overall net worth.

*After determining the amount which the individual farm can service, the Farmers Home Administration should then, upon request of the farmer, restructure the the total amount of indebtedness into two notes so that the first of these notes represents that portion which is approximately equal to the amount of the SERVICEABLE DEBT. This portion will bear a reasonable rate of interest so that the farmer's proceeds from normal operations will service the debt of this note, including interest.

A second note representing the balance of the indebtedness will be set aside and bear no interest. Thereafter, on an annual basis, the Farmers Home Administration, with the farmer, shall review and determine the amount of principal repaid in the first note. In the event of an unforeseen financial crisis, a review of the servicable debt amount should be conducted and adjusted accordingly. Following this review a portion of the principal balance due on the second note equal to the amount which has been repaid on the first note willbe transferred to the first note to bear interest and be repaid under the terms of the first note (with a reasonable extension on the amount of time required for repayment).

The restructuring of loans in this manner will allow each farm family to repay all of the principal involved in past loans with a significant interest payment. The Farmers Home Administration by this method will increase the likelihood of repayment and avoid the losses which occur from foreclosures or other types of sell-outs.

Here is an example: Joe and Mary Farmer owe FmHA $500,000 of principal and interest. Their operation, along with their collateral, will only reasonably service $200,000 of this debt. After meeting with the farm family, FmHA restructures payments to service the $200,000 debt and sets the other principal and accrued interest balance (or $300,000) aside. At the end of that year Joe and Mary Farmer have paid $50,000 to FmHA. Assuming $30,000 was interest and $20,000 was principal, FmHA, after meeting with the family, transfers $20,000 of the balance from the second note over to the balance of the first note. Thereafter, Joe and Mary Farmer will owe $200,000 on the first note and $280,000 on the second note. This process would continue until the farm family's operations can clearly support interest payments on all indebtedness, or until the balance of the non-interest bearing portion of the debt is satisfied in full.

*Other lenders should be strongly encouraged to cooperate with the terms of the current debt readjustment plan in which private lenders can be guaranteed 90% repayment in turn for writing off 10% of the farm debt. New bills have been introduced at this writing which upgrade the effectiveness of this set-aside plan.

*Borrowers considered too risky for private lenders should be transferred to the FmHA plan proposed above.

Potential losses to FmHA which will occur from foreclosure and "voluntary" evictions are avoided under this plan. The taxpayers lose much less since having the principal and some interest repaid is much more than what these farms and equipment are bringing on the open market.

Under no circumstances should FmHA finance the forced buyout of a working farm. Farm families presently in business must have the first right to continue owning their operations.

SUGGESTIONS FOR CONGRESSIONAL ACTION

1. Support this proposal and designate a staff member to work with the United Farmers Organization. This member could advise on steps to getting our suggestions passed and work with us on getting the proper information to keep it moving.

2. Support Senate Bill 371 which allows fairer rules for deferrals and debt servicing.

3. Support House bill 1035 which provides additional emergency credit in time for spring planting and eases eligibility requirements.

4. Notify our organization of other pending bills, hearings on credit or other agriculturally related subjects. Invite us to testify at these hearings.

5. Help us work with other non-governmental lenders by strengthening the Farm Credit Administration and allow this agency more restraining powers with farm lenders.

UNITED FARMERS ORGANIZATION
PLATFORM FOR FARM PROGRAMS

A GOOD FARM PROGRAM SHOULD:

1. Be long-range enough to allow for adequate planning;
2. Provide reliable markets;
3. Encourage the family farm as a heritage that can be passed intact from parent to child;
4. Reform farm credit to be responsive to farmers' needs; and
5. Enable the farmer to produce at a profit while conserving and protecting soil and natural resources.

CREDIT AND FINANCE

1. Government and lenders must acknowledge that much of family farmers' indebtedness is due to conditions beyond the farmers' control, such as drought, high production costs and low prices.
2. FmHA should provide more deferrals of loan payments and more servicing of loans instead of forcing farm bankruptcies, foreclosures, liquidations and starve-outs.
3. FmHA County Committees should be made up of at least two farmers who are elected along with annual ASCS elections.
4. Interest on farm loans should be based on the farm family's income and ability to repay.
5. States are now required to lend a minimum of 20% of loans at the lower interest Limited Resource rate. North and South Carolina should lend more than the bare minimum since we have more limited resource farmers than other states.
6. Scrap FmHA's Coordinated Financial Statement (CFS) in favor of a record-keeping system that is more useful and meaningful to the farmer.
7. Handle FmHA loan applications faster. Put a time limit of 30 days on loan approvals and five days on ordering loan money.
8. Require FmHA personnel to treat borrowers with respect for their dignity and privacy.
9. Require collateral for loans on a one-to-one ratio.
10. Strengthen requirements that FmHA release needed living and operating expense money from crop payments. County Supervisors should be required to release family living expenses as set out in farm plan.
11. Supervised bank accounts should not be required.
12. Each state FmHA should have a review board to monitor loans programs, making sure that there is equitable distribution of loans and fair participation by minorities.
13. Violations of regulations and charges of discrimination should be investigated on site.
14. FmHA should be monitored to determine the extent of non-family corporation loans to family farmers, rather than corporate or larger than family farms.
15. To avoid biased hearing officers and to ensure fair appeal procedures, administrative law judges should be used in FmHA appeal hearings rather than FmHA personnel.
16. **Two Account Debt Relief Plan:** Disaster loans from 1977 to present need to be examined on a case by case basis to determine the clients' ability to pay. Limited resource and low-income farmers need an adjustment along the following lines:

    The interest that has been accrued since 1977 should be adjusted or written off. The principal of these loans should be placed in two accounts. One is based on the farmer's equity and repayment ability and the second contains the balance. The first account pays interest at 5% and the second is interest free. As principal is reduced in the 5% account, an equal amount is taken from the non-interest account and placed in the 5% account.
17. **Moratorium:** A moratorium on farm foreclosures and forced liquidations is a must for a minimum of three years or until profitability returns to family farming.

PRICES AND SUPPLY

1. Limit the amount of farm products and livestock that are grown and base that limit on the *actual* need for those products.
2. Set a floor price for each farm product so that a farmer can recover the cost of producing that product plus have enough income for a decent standard of living.
3. Place control on speculation at the Chicago Board of Trade. Give special attention to requiring a larger margin deposit for speculators.
4. Make the export market a profitable outlet for the family farmer, not a political tool for the State Department.

TAX REFORM

1. Give family farmers tax benefits—not large corporations that are involved in farming for tax write-off purposes. Corporations that receive benefits must derive at least 75% of income from farming.

2. Discourage overproduction of farm products by giving tax benefits to family farms, not huge corporate producers.

CONSERVE THE SOIL AND WATER

1. Encourage farmers to preserve the soil and water for future generations.

2. Establish a set-aside program for fragile and marginal land.

REFORM FEDERAL CROP INSURANCE

1. RCI should be administered on a non-profit basis using ASCS personnel.

2. Farmers should get payments for crop losses that will at least cover the cost of producing those crops.

3. Insurance payments should be affordable—not higher than the profit that can be made from a given crop.

LOST, 31 PROFITABLE YEARS

1952 to 1983

Consequence: $5.4 trillion of public and private debt.
Solution: Pledge 22.8% of total national income for 50 years.
To avoid repitition: Take Insanity Test.

A dozen or more years ago a good customer came into my office to renew his notes and pay his interest before the end of the year. I drew up a new property statement and the other supporting papers and finally began to redraw his note. As I was doing this I asked, "Hilary, how long do you want me to extend the due date on this note"? He responded without hesitation, "Forever". I turned from my typewriter and looked at him rather quizzically, I suppose, and said "I can't renew your note forever, Hilary, you know that". He responded, "Don't worry Vince, you know that I'll try to pay it off before then."

Now, a dozen years ago that was kind of humorous, but today some of our customers are seriously thinking in these terms.

Very tragically, burdensome debt has become more of a reality for many farm borrowers, than is generally realized. It is getting so that farm operators who don't have some other independent source of income, can no longer afford to farm. This should't be surprising because off-farm income of operating farm families has exceeded the income from the farm operation in all but seven of the 23 years between 1960 and 1983.

A prominent farmer in my home community decided to purchase a cafe in Hartington, as a source of additional earnings. He lived fairly close to town and reasoned that he and his wife could do most of the work. Now he is finding that the cost of fuel and electricity have increased so much, and his business has slowed down just enough, so that both the cafe and the farm fail to produce a decent margin of profit in 1984. We have entered into the second phase of our rural depression. The closing down of the credit extended to agriculture, and to other rural businesses, is degrading the rural town and city economy and it is cutting off the secondary source of earned income for the farm operators.

Eventually all of the potential expansion into other business enterprises or jobs, all of the increased technological efficiency, all of the economies of scale are going to be exhausted, and we are going to have to come to the conclusion that 'price improvement' is the only real solution to the diminishing margin of profit in agriculture. It not only is the real solution, it is the only solution, and it has been available to us for a whole generation. We have conveniently ignored it because it isn't advocated by conventional economics, nor is it widely recognized in this country by the farm community.

I was visiting with an acquaintance just recently who banks in a neighboring city. The bank had asked him to liquidate a $200,000.00 bank operating loan by the 15th of December, 1983. The letter was dated December 8th, 1983. He was looking for financial assistance, or at least a bit of friendly understanding and counsel. I couldn't help him financially, but I could understand his problem.

#2

He hadstarted out as a young man, some 10 years ago, with an excellent family record of successful farming operations that goes back nearly 100 years. When he started farming, money was readily available and cheap. He bought livestock, equipment and real estate with little difficulty. It seemed to him like the bigger he got, the bigger he had to get, to operate profitably, or at least keep his head above water. His obligations ballooned, interest rates doubled, and he found himself hopelessly in debt. The Farmers Home Administration offered some assistance in emergency loans. One might assume that when the Government gets directly involved in lending farmers money for operating loans, that there is reasonable assurance that the Government has reason to believe that farm prices, and farm profits, would improve enough to repay these loans. That is not the case. The Government was just helping out on what was presumed by everyone else to be just a 'temporary' profit decline which would improve the next year.

My acquaintance is thinking he may liquidate his livestock and excess machinery now and try to maintain a limited farming operation this year. Following that he will sell some real estate if he can and liquidate most of his debt. Hopefully he will be able to retain title to the home 160 acre farm. He has decided to get as far out of debt now as he can. He doesn't want to risk a further decline in farm real estate prices 4 or 5 years down the road if economic conditions continue to get worse, and he believes that they will. He's not sure yet, but he thinks that his financial problems now, at a time when there is still a little viability in the rural economy, may be forcing him to do the thing that 'good common sense' would have him do, if he could have brought himself to it voluntarily. Any way you look at it, it is a stark tragedy in this young man's life, and it should never have happened.

Ironically, in 1936 when I went to work for the bank where I still work, the first thing that I did was to make an analysis of the loan portfolio. The bank was only two years old, in this location, having located there in 1934 after the crash of the 1930s. It had acquired 600 borrowers, in a community of about 2,500 people. The average loan was $147.68, and the largest loan in the bank was $1,500.00. This community was doing business with this kind of credit base. The total loans of all 600 customers including the largest loan of $1,500.00, totaled only $88,608.00 -- less than half the amount my young friend owed as just one individual, all by himself in 1984.

True in those days 1932-1938 you could buy a 160 acre farm for $4,000.00, with only $200.00 down and 30 years to pay the balance at 5% interest. But during the 1936 drought year farmers were coming into the local Federal Land Bank office and handing over deeds, voluntarily, on land on which they owed less than $10.00 per acre.

To compare economic circumstances today, with those of the 1930s, requires a wide range of information, but the basics of a depression, had oneoccurred in 1983, will probably be very similar to the depression of the 1930s. One such measurement is the decline in total national income. From 1929 to 1932, total national income declined from $86.8 billion to $42.8 billion, $44.0 billion dollars, or 50.7 percent. A comparable decline in national income from the $2,649.9 billion estimated national income for 1983, would be not $44 billion, but $1,343 billion. You say it can't happen again? Perhaps not, but let's assume that it can.

Surprisingly from 1929 to 1932 while total national income declined 50.7 percent agriculture's share declined only 31.2 percent, from 7.1 cents out of each dollar of national income in 1929, to 4.9 cents out of each dollar of national income in 1932. Assuring continued income share evidently had a higher priority in 1932 than it does today.

But the farm economy has had its worst years in the last half century not during the worst depression in the history of the United States in the 1930s, but during the longest period of uninterrupted prosperity in the history of these great United States, from 1945 through 1983. This is an incredible statement, but the facts to prove it are readily available. These facts say that while total national income in the United States increased from $180.7 billion in 1945 to $2,649.7 billion in 1983, an increase of 1,366.3 percent, realized net farm income declined from 6.9% in 1945, to just 78/100ths of 1% of national income in 1983, a decline of 88.7 percent. This really happened during the longest period of prosperity in the history of the United States. Incredible!

When we understand that it takes 'realized net farm income' to pay for the cost of interest, the cost of capital expenditures, and to provide a return on investment and wages to farmers, it should no longer be a mystery to anyone why farmers are universally in such serious financial difficulty today. It also explains why industries serving agriculture such as International Harvester, Massey-Ferguson, and many others are suffering the severest losses in their history.

What has been happening to the individuals in the rural economy, both farmers and main-street businessmen, for the last 31 years, since 90% of parity farm price supports were abandoned, is the same thing that has now insidiously infiltrated throughout the entire U.S. economy. And remember this historically tragic example of a mismanaged domestic United States economy was done in the name of 'free enterprise'.

Our total economy is in serious jeopardy. Not even a politician running for public office will tell you differently. Only those of us who are still trying to think positive, in order to avoid the realities right in front of our eyes, are still deluded.

What are the lessons of current history, as well as those dating back to the beginning of time?

One is, that debt may be incurred, but eventually it has to be repaid. That an incremental cost of interest on debt, called usury in the Bible, must also be paid. That the cost of interest can double and triple and quadruple the amount of the original debt during the term of an ordinary conventional loan to buy a home. That debt should be incurred annually in no greater amount than the savings created annually. However, the cumulative annual savings grows with each annual addition of 'new wealth' created in the process of monetizing 'raw material' production. It can be safely re-loaned, as it is repaid, from time to time.

#4

In spite of the readily available economic information that would have offered substantial support for a continuation of the 90% of parity farm price support program, Congress passed the 1948 farm act which was an attempt to offer programs that would phase out rigid price supports. The Steagall Amendment was scheduled to expire at the end of 1948, 2 years after WW II. President Truman extended it to 1950, and then again from 1950 to 1952, when the Eisenhower-Ezra Taft Benson administration let it expire. As a consequence farm prices have declined relatively every year since 1952, and agricultures share of national income has dropped relatively, and absolutely, every year since 1952.

Our nation should have learned a couple of lessons from the 1943-52 period, when agriculture averaged 100% of parity for 10 solid years. The first is that all other sectors of the economy also operated at an optimum level of profits, as well as agriculture, while the economy maintained relative balance. The second is that 'special interests' will foolishly attempt to disrupt any parity program in their own 'self interest' and destroy its objectives, unless the government is empowered to intervene for the purpose of maintaining order and fair play.

Many positive things happened to the economy of the United States during this period. In spite of the World War II, private debt grew with surprising moderation in ratio to increased savings. With slow debt growth, interest rates also moderated and remained cheap. The dollar was remarkably stable with only modest increases in the cost of living and price indexes. The financial system achieved a degree of liquidity that has no comparison in this century. Government tax revenues grew rapidly and consistently and were adequate to meet normal budgetary needs. Enough profit was made to purchase the bonds to pay for the entire cost of the war, and post war reconversion. It is a phenomenal period of economic function that is being ignored, because by the standards of conventional economics it couldn't happen, so it didn't happen.

One of the most objectionable features of farm price support programs, is 'government intervention'. At the same time, a reasonable person who recognizes the perversity of human nature, and particularly when it is exemplified by an impersonal corporate structure, finds 'government intervention' one of the most endearing terms in his vocabulary.

The problem seems to be that 'government intervention' has been given the connotation of 'totalitarian' government control, as it is imposed in a totalitarian nation. In this context it is understandably repugnant. However, 'government intervention' in a democratic nation is quite different, because if it becomes repugnant for any legitimate reason, it can be changed, or it can be eliminated. But, those who subscribe to the mindless concept that 'no government is the best government of all' are inviting the kind of political and economic chaos which inevitably leads to totalitarian government.

Without reasonable and responsible government intervention at this juncture of our history in the United States, we are most certainly inviting a radical change in our political structure, as well as our economic philosophy. One of the most prevalant dangers to our politico-economic structure in the United States today is that we may destroy our political system, because our political system has permitted our economic system to run amuck. What we have to target to correct our economic problems, is not the political system, but the individual politicians who have permitted our political system to allow our economic system to be plundered by the lack of intelligent management of the system, by constructive and revokable 'government intervention'.

It has been said many times, but it must be said again and again. Agriculture is unique in that it must make available to the market nearly half of its total production, at harvest time annually. It offers a 365 day supply of storable commodities, a year ahead of the needs of society. This makes this sector of our economy easy prey for the 'special interests' who may trade 5 or even 10 times the total production in the commodities markets, before harvest, and as many times after without buying anything. The processor also has the unfair advantage of purchasing in a market based on 'supply and demand' with 365 days of supply and only one day of effective demand. This is an unfair bargaining tool for lower prices, the effectiveness of which diminishes only gradually until the next harvest, when the same advantage is offered again. Without government intervention the United States farm economy is no better off than that of the coffee producing republic of Brazil, and 122 other underveloped and largely raw material producing countries in the world, who have the same 'supply demand' problem. It is the 'uncontrolled' irresponsible application of the so-called 'law of supply and demand' that has devastated the United States farm economy in recent years, and in the raw material producing economies of the world for centuries.

During and immediately following World War I strong advocates of the parity concept approached Congress with a proposal to support farm prices following the war. Congress passed legislation that would have accomplished this, but it was vetoed by the President in 1924, and again in 1928. Subsequently these same people were joined with another group which had done extensive research on the income levels of the various sectors of our nations economy and had discovered a remarkable relationship between the value of farm production, factory wages and total national income, effecting all sectors of the economy.

This study showed rather vividly, and the figures are still available for anyone to review, that there was a long term relationship of $1.00 of farm income, and $1.00 of factory wages, and the multiplier effect of the 'new wealth' resulted in $7.00 of National Income.

It was this evidence that convinced the Banking and Currency Committee of the Congress of the United States in the very early 1940s, that in order to maintain a stable national economy, it would be advisable to put a value on farm raw materials that would remain constant with the cost of other goods and services. It was presumed that this would assure stability in the value of the United States dollar during the course of the war. It was simply price stabilization of the farm products at parity with other things in the economy. Other measures were also enacted such as wage and price controls, and it all worked. The price controls and price support laws worked because the economy was in a natural equilibrium coming out of the depression of the 1930s. During the 1930s all sectors of the economy had declined relative to the level of the farm sector. This gave the researchers evidence, they believed that the farm economy, and the new wealth raw material dollar was the key to sustaining the economy at the 1-1-7 ratio that had worked before farm price supports were enacted.

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It was also recognized that if we failed to maintain farm prices, and the price of all other raw materials as well, at or near 100% of parity, any reduction in the price would have a 'negative' effect on the economy by destroying potential national income at the rate of $7.00 less national income for every dollar agriculture and other raw material production is 'underpaid' by sub-parity prices.

However, there was another prominent school of economic doctrine which was prevalant in the early 1940s and following WW II, which contends that a "debt" dollar will have the same multiplier effect in the economy as does the 'raw material' dollar. This is true, up to a point, but the after-effect is quite different.

After the 'debt' dollar progresses through the economy in an economic cycle, it comes to rest in the economy as $1.00 of debt, and as a claim against future income. Ultimately the $1.00 of debt will have to be repaid, plus the incremental cost of interest. However this economic doctrine also assumes that debt can be created and never repaid, so that it can circulate in the economy indefinitely. What they seemed to have overlooked is that the incremental cost of interest on debt, which must also come out of the profits of the nation, causes the cost of repaying debt to multiply the original debt again and again, if it is not repaid in a relatively short term.

They also carelessly overlooked another factor in comparing debt injection as an economic multiplier, with 'earned income' from newly created (grown) farm raw material production which doesn't exist before each annual harvest.

When the raw material dollar flows through the economy $1.00 of Farm Imcome, produces $1.00 of factory wages, and $7.00 of national income it is a chain of events. The value added by the transportaion, processing, and distribution, including labor costs after the first $1.00 is created at the raw material level, makes up the other $6.00. This is the income that the other 97.6% of the population live on. However, when the finished product is consumed, it is bought by someone who has earned labor wages, or profits in this chain of processing, transportation and distribution, and all of the increase in value after the first $1.00 of raw material is extinguished in a simple process made possible by our commercial-banking system. Only the original dollar remains as 'new wealth' and it becomes savings. It has been divided up along the route from producer to consumer, and some part of it is now available at all levels of the economy. It will fund new manufacturing plants, new homes, new roads, new schools, new churches, new streets, new equipment, and the things that are needed annually by a population that is growing at a rate of 1% to 2% every year. It has become vested in the person who participated in the multiplier process, but it is available for loans and must be loaned back into the economy annually to assure the full consumption of goods and services fairly priced. It is available for the purchase of consumers goods, or producers goods, and it will continue to cycle from individual to individual and company to company indefinitly. It does not create a claim on future income, and all future income is therefore available for future purchases of goods and services as it is earned. It is not obligated and it adds to accumulated 'earned income' from previous years to build a constantly larger base of readily available savings.

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Over time it can only be diminished in quantity and/or in value by economic destruction of the capital resources in a depression, or by the destruction of its store of value and purchasing power from inflation. Both inflation and deflation are caused by 'price instability' and are responsible for most of our economic woes. It is for this reason that 'price stability' of farm commodities should be held within a narrow range from year to year, such as a floor of 90% of parity and a ceiling of 110%. This effectively prevented 'price instability' during World War II which substantially eliminated the threat of inflation and deflation in the overall economy. This market correcting 20% margin is sufficient to give the farmer an incentive to adjust his various grain and livestock enterprises to fit market demand, and it affords the consumer protection against price gouging by the raw material producers, without disrupting the equilibrium of the entire economy of the nation. Finally it is the catalyst that provides the necessary new wealth to accomodate a growing population, and to sustain a profitable national economy.

In addition, using debt as an economic multiplier has lost its effectiveness. For example, in 1950, it is alleged .75 cents of debt would create $1.00 of nominal gross national product. However because of the distortions in national income share that have been created by 31 years of lost profitability since 1952, it is now necessary to inject $12.50 worth of debt into the economy today to generate only $1.00 of nominal gross national product. A straight line projection of this trend, and a little eighth grade arithmetic, will tell most of us that this can't go on. Still it seems to have escaped the notice of the President and the Congress, who are in a position to bring about essential corrections.

How did we 'lose 31 years of profitable economic operation", since 1952, and why did we place a mortgage on the income to be earned by the next two or perhaps three generations of U.S. citizens?

It is all a matter of hindsight now. There is no longer any theory, or mystery about it. The record is abundantly clear. We just violated one very simple rule. It is, we can't really afford to buy anything for which we can't pay cash. If there was ever any question about this axiom, then it has been put to rest by the record of the economy of the United States since 1952.

Let's check the economic background of our present financial dilemma.

Several periods of recent history stand out. One would be what happened in the United States from 1929 to 1932 and for the next 8 years, prior to 1940. This was the period which ranged from the high to low of annual national income share earned by the agricultural industry during the worst depression in the history of the United States. The first consideration is; What would happen to the United States economy as it exists today if we have another depression in the 1980s comparable to 1929 to 1932? Another interesting consideration is; How did we achieve the economic expansion that occured from 1940 to 1943? A remarkable economic resurgence took place during these three years, which hasn't been paralleled in any period of history before or since. So a second consideration might be; What would happen to the United States economy as it exixts today, if we had another economic resurgence in the next 3 years, comparable to that of 1940-43?

It will serve no purpose here to make a comparison of the individual tragedies, the personal economic losses, and the pain and

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suffering that took place during the depression of the 1930s, and may take place again, though there was a lot of that. Fact is, what isn't generally appreciated is that there was a lot of unprecedented friendship, love, compassion and individual helpfulness and a remarkable degree of joy and even hilarity during this period as well. Almost everyone survived "The Day After" the depression of the 1930s. It is also fact that from 1929 to 1932 the national income in the United States declined 50.7%, from $86.8 billion annually to $42.8 billion, a total decline of $44 billion.

Agriculture's share of national income declined from 7.1 percent of each national income dollar to 4.9 percent, a decline of 31.2%. Wages and Salaries dropped 22.1%. Corporate profits declined 115% to a negative $1.3 billion. Interest income of individuals increased 21.2%.

Two things become apparent in this comparison. We selected 1932 for comparison with 1929, because in 1932 agriculture's 'share' of national income dropped to 4.9% which was the lowest level on record, since records have been kept. It bounded back to 6.5% the following year, and never got lower than 4.9% again during the next 21 years, until 1953 when it dropped to 4.3%.

Speaking in April of 1964, Congressman Harold D. Cooley, the Chairman of the House Agricultural Committee, made the following statement:
I quote,

> "For 11 consecutive years prior to 1953 the average prices paid for farmers were at or above 100% of parity with the rest of the economy. There was prosperity on the farms -- and along Main Street.
>
> "Rural America - the countryside and Main Street - looked secure then and for all the years ahead.
>
> "The Government, with broad cooperation of farmers, supported the prices of the major storable crops for 20 years at an actual profit by selling commodities -- wheat, corn, cotton, tobacco, rice and peanuts -- taken over in price supporting operations.
>
> "Those who deprecate the role of the farm program in this great era of farm prosperity emphasize that this period embraced war and post-war years, when the demands for the products of our farms were high, but they ignore the fact that markets, at home and abroad, for farm commodities have been greater in the last 10 years (the 1960s) than during any other period in history, and they forget that the farm economy collapsed (once before) after World War I, and this did not occur following World War II when the farm program was working.
>
> "For 11 years - 1942 through 1952 - farmers had bargaining power in the market place. Supply and demand were in reasonable balance and the farmers enjoyed price insurance through the farm program." End of quotation.

I quote Congressman Cooley because I know of no place in the history of the farm programs where the facts are stated more accurately, and more concisely, though the records are readily available for anyone to check.

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We also recall to your attention the point we made earlier, that without an adequate government price support program for storable farm crops, from 1953 to and including 1983, agriculture's share of national income has not increased as much as the 1,300% that National Income has increased, but quite the contrary has instead declined more than 88% during this the longest period of prosperity in history. This is a decline which is nearly 3 times greater than the decline in the worst depression of history. This is fully within the logic of the negative return to nominal gross national product that has resulted from 31 years of underpayment for farm production. We have committed the crime of substituting debt for profit, when the profit was readily available on the production that we had during these years, with logical management, and prices. We can not now recapture that production, and re-enter it into the economy in an effort to recover this cummulative loss. It is lost forever, and now we must repay the debt.

We have effectively destroyed an estimated $4 trillion of national income since 1952, beginning with the 1953 decline in Agriculture's fair share of national income to 4.3%. A share lower than the 4.9% earned during the worst year of the depression for agriculture. Conversely, had we maintained the relative balance that prevailed in national income during the 1943-52 period, and the approximate distribution of national income share that it would have sustained during that time, we would have earned an additional $3,961.5 billion, in all sectors of the economy by the end of 1983. And we would have saved, in the process, an additional $1,640.9 billion in interest cost which was paid on the more than $6 trillion of mostly unneeded, and therefore unjustified debt, both public and private, that was incurred to a very large extent, to offset this loss of profits from 1953 through 1983. Now to correct the imbalance that this tragic public policy has dealt the U.S. economy, the debt must be repaid over time or repudiated.

Is it 'mere coincidence', as the highest level of U.S. Government economic responsibility has contended? Or, is it very realistic to believe that the $3.961.5 billion that we failed to earn in the past 31 years, when added to the $1640.9 billion of interest that we wouldn't have had to pay had we earned these additional profits, which total $5,602.4 billion, is virtually the same dollar amount as the increase in the total public and private debt from 1952 through 1983, a total of $5,443.9? Or is the science of mathematics trying to tell us something? This is hindsight. This is fact.

Who will deny that we have increased public and private debt $5,443.9 billion dollars, because we had to borrow the money to support the economic function of the United States; to buy the goods and services that were produced from 1952 through 1983, which we would not have otherwise been able to afford. It has never happened before in history, so why should it have happened to us now? The reason it happened now is because we have, as a matter of long term public policy, deliberately underpriced farm products and other raw materials, for 31 years. Offer any other logical reason, if you can. There are none.

It did happen in Roman History, according to historian Arnold Toynebee, and it was a primary cause of the fall of the Roman Empire. It

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happened again about 200 years ago in France, and ultimately led to the French Revolution which brought Napoleon to the forefront of French politics. Napoleon's first act was to balance the French government budget, and to restore stability to the French monetary system and economic balance to the French economy, according to historian Andrew Dickson White. History recounts that Napoleon refused to pay wages to his own soldiers, unless legitimate tax revenues were available, which didn't occur until the French budget was in balance and equilibrium had been restored to the French economy. Take note President Reagan.

The history of the United States recites the remarkable fact that for the 100 year period, from 1814 to 1913, the U.S. economy exhibited very significant long term stability. In spite of 4 wars, massive immigration, extensive settlement of western frontiers, and a developing exchange system that materialized in one of the finest Commercial Banking Systems in the world, "where farm raw materials were monetized, like they were gold", it was possible to buy substantially the same basket of food in 1913, for the same dollar price that it cost in 1814. Public and private debt was $82.2 billion in 1916, the first year these figures are available, after 100 years of expansion and development, to provide you with a point of reference. It may be of no small significance that the general population of the United States, the farmers, merchants and laborers, had little or no formal education for the most part. These men and women of great heart were the molders and the shapers of the United States during that period, and in restrospect, did very well indeed.

Who can comprehend the bewildering malfunction of the economy of the United States since 1913, which led to the depression of the 1930s, the resurgence of the economy in 1940 to 1943, the almost ideal economic balance that prevailed from 1942 to 1952, which Congressman Cooley recalled in 1964, 20 years ago, promised that "Rural America - countryside and Mainstreet - looked secure then and for all the years ahead", and then the unprecedented build-up of $6 trillion dollars of public and private debt in only one generation, one 31 year period, since 1952. Is it due to the 'excellence of education' and the higher order of learning that this generation has been so fortunate to have received, compared to the early settlers and immigrants of the 100 year period from 1814 to 1913 who had virtually no formal education?

We believe this cries out for the 'common sense' judgment of a majority of our 'ordinary' citizens and the rejection of abstract economic theory and of the 'impractical' facade of expert opinion offered by think tanks, special interest coalitions and the politicians and leadership whose counsel has put us where we are today.

What tragic irretrievable and unforgivable mistake have we made that has rendered so much misery to so many people, in such a short time?

Under what circumstances can we recover from 31 years of steady degeneration in our economy? That's a good question, as the man says. Let's explore a couple of ideas for constructive change. One change might be the opportunity to turn the economy around by restoring the economic standards which evolved in 1943 to 1953. Then to pay the public and private debt and the interest which will accrue, over a reasonable time span.

Let's presume that this $6 trillion of public and private debt can be paid off in 50 annual payments, beginning January 1st,1985. This is a little longer than it takes to pay off the usual farm loan, but we must admit it is a considerably larger challenge.

Let us also assume that the interest rate will average 10% per annum for this period of time, and that National Income will remain about the same as it was in 1983, as a source of profits with which to retire this debt and interest.

This will require a payment of approximately $605.3 billion each year. It will require the diversion of 22.8 cents out of each dollar of national income, away from the annual market for goods and services, for the next 50 years, assuming a constant national income.

This loss of market will in turn require a cutback in production of 22.8% in the absence of additional excessive credit, which will no longer be permitted. This cutback in production of goods and services, will dis-employ 22.8% of the labor force, and close 22.8% of our industrial plant capacity and various services. However, we will still have to serve 100% of the population, so the remaining 77.8% of the production will have to be carefully rationed in order that it serve 100% of the population. Wage and price controls will undoubtedly have to be put into place to prevent severe distortions in the economy, credit will have to be allocated, and other resources will have to be carefully rationed. During this period of time only the annual increase in the savings will be loaned back into the economy, in order to control inflation and stabilize the dollar. Federal, state and local government agencies will have to balance their budgets without exception. Individuals will have to learn to live with and be content with all of the controls that will be necessary to fine tune the economy for the 50 years. It is highly questionable if this could be done in a republican form of government, and if not the form of government may have to be altered, temporarily, for the next 50 years. Think about what 'orderly repayment' of this odious public and private debt entails, while we look at other possibilities. A 100 year repayment term would reduce the cost per dollar of national income from 22.8% to 22.6%, but the interest cost would increase $29.8 trillion for the additional 50 years repayment time. An expensive solution for so small an annual savings of national income.

Another consideration should be the potential of another depression. If something would happen which would seriously impair, or destroy public confidence in the economy, a depression could occur. In that event, and assuming that a depression in 1984 would follow the same patterns that prevailed from 1929-32, then the following could occur.

By 1986, the prevailing 1983 national income of $2,649.7 will decline 50.7%, from $2,649.7 to $1,306.3 billion, a decline of $1,343 billion -- compared to only $44 billion in the 1929-32 period. Agriculture's share decline would be from $20.6 billion in 1983 to $14.2 billion

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by 1986. Wages and salaries would decline $240.8 billion, the same 22.1% decline experienced from 1929-32. Corporage profits would decline 115%, or $263.6 billion to a negative $34.4 billion by 1986. One would think that corporations would be aware of this possibility and making a greater contribution to turning the economy around, at this point. I'm sure they are trying but they just don't know what to do about it except to enhance the profit of their individual companies as best they can. Interest income of individuals would rise, $52.8 billion. This assumes, of course, that all moves will be exactly the same as the changes that took place in the economy from 1929-32 and it is simple an exercise of possibilities and not a prediction. Never-the-less it is a frightening possibility.

There are still other startling ramifications of a depression comparable to the 1930s that we haven't considered. For example when national income fell 50.7% in three years from 1929-32, federal tax revenues fell 75%. Federal tax revenue was extremely dependent on profits and sales at that time, and still is today. When national income (profits) declined 50.7%, sales plummeted and both sources of federal tax revenue evaporated.

If this situation were to occur again, needless to say, the more than one-half of the federal budget dedicated to 'entitlements' would be thrown into pandemonium. Which entitlement will have priority? Food stamps and welfare to families with a single parent? Disabled war veterans? The elderly who draw social security? An increase of 22.8% in unemployment would destroy the integrity of the Social Security system once again, and there would be no back-up funds from an empty treasury. The federal deficit would have to increase from $200 billion in 1983 to more than $600 billion in 1986, to meet all government obligations. But, from what source of savings in a depressed economy? Where would the savings come from with a 50.7% decline in national income, negative corporate profits, and an insolvent financial system suffering from widespread debt abrogation, business and farm insolvency, while the national level of earned income is spiralling down to equate with the minus 88.7% decline that has already occurred in agriculture's share during the last 30 years, plus another 32% decline still to come in a depression.

I won't pursue that any further, because you know it won't happen again. I personally believe that it won't happen, or at least that it doesn't have to happen. But how can I be sure after 31 years of apparent oversight and an amazing ignorance on the part of so many smart government, business and farming entities in the United States for a whole generation, since 1952. I will leave you with the thought that this won't happen, just like the intentional triggering of a catastrophic atomic war won't happen. It will be an accident, if it happens, and that no one need be killed in a depression.

Now, to the next consideration. What about the remarkable economic resurgence from 1940 to 1943? You will immediately say to yourself, "but there was a war going on then". I would remind you, without beggaring the subject, that there was a war going on in the 1960s too, the Vietnam War, and economic performance was flat. The most expensive war in our history from the standpoint of human casualities and from the standpoint of dollar cost. We will get back to this a little later.

#13

Right now we want to direct your attention to the years 1940-43. The United States was just emerging from the most devastating depression in its history. The economy was gradually being restored to economic equilibrium, wherein each sector could afford to buy what it needed and pay cash for all of the production of every other sector.

Prior to that, serious distortions had been created by the devastating drop in farm prices in 1920, which threw the economy so badly out of balance for the ensuing 10 years that it precipitated a depression by 1929. In the next few years the nation went through an economic wringer which eroded much of the capital resources of the country through debt repudiation and declining real estate and personal property values. Then as the economy gradually restored to equilibrium a war broke out in Europe. The United States wasn't directly involved in 1940, but covertly we were helping our natural allies in England and Europe. Unemployment declined from 9.5 million in 1939 to 3.6 million by 1943 in spite of the fact that millions of women entered into the rapidly expanding labor force for the first time, largely offsetting entries into the armed forces.

But some other things happened too. In addition to the feeling of economic well-being that encouraged businessmen to become optimistic and to expand operations, similar to the euphoria that we are experiencing today, certain economic controls were put into place and among them was the 90% price supports for storable farm crops.

With these programs in place, with the promise of expanding markets, and business opportunities spreading throughout the economy, national income expanded more than 100% from 1940 to the end of 1943. It happened because the economy was in equilibrium, because all sectors were 'regulated' to prevent profiteering, and exploitation of one by the other, and it all happened without a significant rise in inflation. It happened because the public found it quite comfortable and they accepted the subsequent controlls.

In retrospect, what happened from 1940 to the end of 1943 is fascinating. During this 3 year span national income increased 113.7%, from $79.7 billion in 1940 to $169.3 billion in 1943. Wages and salaries increased 110%, from $521 billion to $1,095. Farm income increased 172.7% from $4.4 billion to $12 billion. Small business and professional income increased 98.8%, from $8,6 billion to $17.1 billion. Corporate profits increased 173%, from $8.6 billion to $23.5 billion. And, interest income of individuals declined 18.2%, from $3.3 billion to $2.7 billion.

The rate of growth was very even, inflation was insignficant, and the decline in interest income was due to relatively less debt being incurred and moderating of interest rates as profits became ample through the economy which provided cash for capital outlays. And, it was only the beginning of a longer term growth which brought about even greater stability and more pronounced economic equilibrium as time progressed up to 1953.

If we assume that we have the capability of duplicating the 1940-43 economic growth in direct ratio to the percentage increase which occurred then, from 1983 to the close of 1986, we can begin to again see a light at the end of the tunnel. Let us assume that we can, and attempt to visualize what it will do for us and for the nation.

We must recognize first and foremost that the share of national income that is received by each of the 6 designated sectors is in greater disarray, more seriously distorted and out of balance in 1983, than it was in 1929, or at any other time in our history. But, it is all that we have to work with, and it is assumed that this disarray will realign along the standards of performance that were experienced in 1943-52, when the economic share of the raw material industries in our nation are brought back into balance, with the share that prevailed in all sectors, in the 1943-52 period.

In spite of the aberration, the 1983 total national income is very real, and will provide us with the comparison that we wish to draw to illustrate the potentials of realigning the total economy, with just a little good judgment and common sense. All without any serious interference with the so-called 'free market' or the 'private enterprise' system. All of these long time economic basics would remain intact but in an atmosphere of limited variation. We would just remove the ability of 'selfish interests' to manipulate prices, and provide minimal effective controls, thereby assuring all sectors of the economy of a competitive ability to earn enough cash to sustain their economy with very little requirement for credit/debt, on an annual basis.

You will recall that national income increased 113.7% from 1940-43, from $79.7 billion dollars in 1940 to $169.3 billion at the end of 1943.

A comparable increase in the 1983 national income would generate an additional $2,263 billion of national income by 1986, for a new total of annual national income of $5,662.4 billion. The dollars are larger, but the percentage is identical to the 1940-43 rise. We did it before, remember, and who is to say that it can't be done again?

* This kind of performance between 1983 and 1986 would create twice as much national income in 1986 as existed in 1983. It would double the market for everything that can be produced in our economy and it would therefore be possible to double domestic production if we limit foreign imports to their present level. It would double total wages and salaries. It would double the tax base for federal revenues from income and sales tax. It would double the annual contribution to social security and employment taxes. It would easily fund the 1983 $200 billion federal deficit, eliminate future deficits and thereby assure the continued funding of all the entitlement programs in the United States today. In addition it would assure funding of programs that will cost the federal government additional billions of dollars in the next several years; programs which haven't fullymaterialized as yet. It might even justify a modest reduction in income and sales taxes to individuals, partnerships, and corporations. We estimate the increase in federal tax revenues by 1986, if tax rates are not reduced, based on the 326.3% increase in sales and income taxes from 1940-43, will exceed the 1983 tax revenues by more

than $1 trillion by 1986 -- excluding social security and employment taxes. Remember, if we follow the pattern of 1940-43 there will be no inflation to speak of. This expansion need not cause an inflationary explosion, if it is shared by each sector of the economy in the ratios established during the 1943-52 period when farm prices were maintained at 100% parity, at no cost to the Government. Remember Congressman Cooley's statement? And, we believe these ratios will restore as a result of market forces, with enlightened government policy and firm direction, before the 3 years has elapsed.

Some are going to be quick to insist that this can't happen again, because "there is no war to inspire the national agreement and resolve necessary to discipline and stimulate the economy in the public interest".

I would say to this, that we don't need a war to do this. All we need is an understanding of the economy, how it functions, and the necessity for all sectors to participate in an equitable fashion. The record of these achievements are available in the history of the last half century, in the memory of living man. The 1940-43 economic resurgence and all of its consequences are clearly outlined in history, as is the 1943-52 period of 'reasonable interference by government in the public interest', which resulted in a par economy for ten years, and was the starting point for the longest period of prosperity in the history of our nation.

Everything else is present, except the war. There was no war in 1940 either, that is a war that we were directly involved in as a contestant. The record for 1983 will undoubtedly show that we produced more war materials for our allies and for our own defense, than we did in 1940. It will also show that we are already experiencing a modest upturn in our industrial areas, and modest improvement in employment from this stimulated war production. The euphoria of the stock market is particularly noticeable today.

It is true that we are not directly involved in a war at the moment, though some people will dispute that, but who will deny that the likelihood of war is always present, and may even be as likely at this moment as it was in 1940.

The circumstances are almost identical with the circumstances that prevailed in 1940, with two major exceptions.

Exception number one is the fact that the sharing of national income in 1940 was in relative balance, following the depression of the 1930s.

Exception number two is that even with this potential of a doubling of our national income, we still have an unprecedented $6 trillion of public and private debt which must be repaid in full. This is essential before the economy of the United States will ever be able to function again, as it did prior to 1952, or more accurately perhaps, as it did prior to 1913.

Whether this kind of economic expansion is available to us, during the next three years, or whether it isn't, by now you may have concluded as I have, that this is the kind of economic expansion that we must have, if we can expect an economic 'turn-a-round' from our present almost certain drift into depression.

For one thing, if we were to experience this kind of economic expansion by 1986, it would completely modify the frightening possibility of having to obligate 22.8% of our prescious national income for debt service, every year for 50 years. The doubling of the national income would cut that portion that had to be dedicated to debt service in half, from 22.9%, to a more modest 10.2%.

Another positive result would be increased profits and a broader tax base which would easily balance the federal budget. With the federal government out of the credit market, and with modified demand for credit in the private sector because of higher profit levels, interest would decline dramatically, probably as much as 50%. This would cause an additional reduction in the cost of national income to service the public and private debt, from 10.2% to 5.9%.

With this improvement in the economy, and with the cost of debt service reduced to 5.9%, the payment of the total public and private debt would become almost manageable. It would equate very closely with what the rate of saving would be in these circumstances.

It would still require some'fine tuning' of the economy, and 50 years or more of more modest economic distortion, until the debt and interest is fully paid. But it would be easier than it would have been before the economic resurgence, and immeasurably easier in these circumstances, for example, than it would be if the economy turns down, and the cost of debt service rises in ratio to a declining national income.

Our failure to recognize the validity of reasonable government intervention in the economic planning of our national economy, and in the orderly execution of that plan, is our most grievous oversight. This is particularly true when it applies to our very vulnerable agricultural economy. Common sense tells us that this approach is fundamentally correct, within the constraints that we are all familiar with.

Isn't it rather apparent by now that our national income must expand dramatically, more in terms of trillions of dollars than billions of dollars, and in a very short period of 2 or 3 years, if our nation is to survive economically?

Whose fault is it?

I'm sure that there is enough blame for all of us, and that all of us can certainly see where we have contributed to our common problem of economic malfunction. However, it is my personal conviction that government should have intervened in this matter long ago. I'm sure it would have, if our state and federal legislative representatives would have permitted it. Our representatives in congress and in our state legislatures don't believe the stories that are filtering out of rural America. They look upon this information as a fabrication and an exaggeration of the real circumstances. By fall they will realize the truth, and make all kinds of campaign promises of what they will do if we reelect them for another term of office.

#17

At this point I personally feel that no United States congressman, nor the president for that matter, and not one State representative should be returned to office this year, excepting those whose record of achievement for U.S. agriculture is so glaringly visible that there is absolutly no question in your mind.

To clarify that a bit, I would say that if you can't see the obvious effect of an improved farm economy in the 'net worth' column of your property statement, then he hasn't done anything for agriculture, and he hasn't done anything for you. I offer that piece of advice to the rural businessman, as well as to the farmer.

The political fact of life is that higher farm prices are not 'politically feasible'. In other words, higher farm prices imply higher prices for food, shoes, clothing, beverages and tobacco, so even if you represent producers of these raw materials, you don't want to confront your voter with increased retail prices. What you would prefer to talk about, if you are a politician, is attracting new businesses and industries for your rural state in order to provide off-the-farm jobs for your beleaguered farmers who need a job in town to support their farming operations.

My neighboring state of South Dakota is a classic example of this.

By pandering to the very large out-state banking institutions, the State of South Dakota has prostituted the integrity of the state laws of 49 other states, for a price. The price was the legislative elimination of the ceiling on interest rates that a bank can charge its customer. The idea was concieved in the board room of one of the largest banks in the nation, and since the law has been passed the state has solicited and enticed a number of these magnificent predators to locate in South Dakota.

Inflamed by this initial success, South Dakota is now preparing, at the suggestion of another very large bank, to further prostitute State laws in the other 49 States, by offering any commercial bank chartered in the State of South Dakota the privilege of legally organizing an insurance company. A privilege which is also denied these banks by the laws of the state of their origin.

In this process the State of South Dakota has shown the conspicuous 'good judgment' of assuring, in a sort of 'shake-of-the-hand' agreement, that these mega-banks won't compete with its South Dakota banks or insurance companies. But, "go get'em" as far as the other 49 states are concerned.

However, as some have predicted there is going to be 'fall-out' from these aggressive forays by this prairie state into the jungles of 'high finance'.

In just recent days, some of this fall-out began to settle on South Dakota. Suddenly it discovered that when a mega-bank moves

#18

into the state by virtue of these special laws, there can be unexpected and even unpleasant consequences for South Dakota, as well as to the neighboring states.

When one of these mega-banks recently purchased one of the established traditional South Dakota Banks, because of these liberal banking laws, the euphoria of economic expansion in the chosen community was heady for the moment; the after effect was not anticipated.

When the new owners imposed new standards of performance on the borrowers of this old bank, and made unexpected demands on the borrowers which seemed unreasonable, to say nothing of 'unfriendly', the change is proving upsetting to the community and painful to the farmer borrowers, as well as other borrowers.

At least a part of this problem is not the fault of the new management. It is the fault of what appears to be the culmination of of the cuumulative effects of 31 years of declining farm prices, and diminishing, almost non-existent, farm profits. This is a long term problem endemic to the predominantly agricultural State of South Dakota. A problem which mega-banks are unfamiliar with, and perhaps not even interested in. A problem which has been virtually ignored by the government of South Dakota. Not really ignored, but brushed aside with a surprising degree of insensitivity to a problem which is growing very rapidly now, but has grown insidiously since 1953.

Two or three years ago, when South Dakota had an opportunity to be in the forefront of a new innovative and forward looking legislative program to provide South Dakota farmers with 'minimum pricing' legislation for the protection of farm prices the legislature approved it, but the governor vetoed it.

A year later another attempt was made to pass it and it was killed in the legislature.

The benefits of this legislation are incalculable had it been initiated by 8 or 10 midwestern States, according to the plan that was presented to the legislature. The annual income to these states would amount to billions of dollars every year, if it became effective. It would have enriched a cross-section of every state, and not just mega-bankers, as does the present thrust of South Dakota political effort.

The chances are excellent that if this idea had emanated from the board room of one of the newly adopted South Dakota mega-banks it would have passed the legislature with the approval of the governor, with flying colors.

If the State of South Dakota had used the same degree of innovation and initiative to help smaller state banks and their farmer customers, I would now be applauding it and not critizing it. But, it didn't.

The point is that you may be taking some risk in electing an 'unknown' and 'untried' political candidate to a public office at the state or national level, however, if he wins you will have relieved yourself and your State, of a 'tried and failed known'. The risk is minimal if you have to tell your representative how tough it is today - down on the farm.

#19

A fundamental long term problem in agriculture is being ignored by the Federal government, by our congress, and by our State legislatures, and largely by the people whom we elect to office to do our bidding in these matters. This fundamental 31 year old problem is that whatever 'we' do for agriculture, it will continue to languish, it will exhaust its resources and it will finally drag the entire economy down to its level, unless we provide a mechanism that will control production, and assure an average price level of 100 percent of parity with other goods and services.

Note

All of this indifference leaves us with two possible choices.

We can look forward to an economic resurgence in the over-all economy similar to the upsurge that took place from 1940 to 1943. If this occurs, we will be able to 'manage' the repayment of the $6 trillion of public and private debt which this generation incurred, for the next two generations to pay off. If we are successful, at some point 50 years hence we can anticipate a restoration of economic equilibrium like that which prevailed from 1942 to 1952, which will support economic growth and social progress for successive generations, after the year 2033. If by then our successors have in fact learned the lessons of history, they will again enjoy a host of opportunities similar to those enjoyed by their predecessors prior to 1953, or perhaps more correctly, prior to 1913.

The other choice, and this is the only other choice available as we see it, will be a relatively 'quick and merciful' depression. This suggestion will cause some undue apprehension because of the horror stories that we've all heard of the last depression, but it can actually be the 'easy way out' as well as the 'only' way out, so it must be considered very carefully.

If we muster all of the intelligence that we are capable of, and we learn to limit our economic opportunities to providing for 'needs' rather than 'wants', our economy will be capable of not only recovering from a depression, but to offer new horizons of economic opportunity after the depression has run its course. We will actually actively "guide" our economy throught the depression, to minimize economic destruction and social damage. The worst will be over in about 3 years, if we are careful. Then after 7 or 8 years of a 'cleansing' and leveling process, while all other sectors settle to the level of the lowest sector, the farm sector, approximate economic equilibrium will return, and times will get better very rapidly.

At this point it is likely that 'none of us will have it all together -- but together we will have it all'-- and it will all be free of debt.

Then, if we have learned our lesson, we will opt for limited economic growth managed by a tractable government, rather than the course of the past 31 years of mindless spending and a doctrine that 'no government is the best government of all'.

#20

Many of us, almost everyone of us present here certainly, has received some 'unearned', if not 'ill-gotten' financial gain from the insane economic exploitation of our national economy, that has taken place during the last three decades. We have participated in a massive criminal act against future generations for which we may be held accountable. We can be assured that whatever course our economy takes from this point on, in one way or another we are going to have to give some, if not all, of our ill-gotten gain back.

Does that frighten you? It shouldn't, because you know that you can't take it with you.

Infinitely more important than the loss of our financial gain of these past 30 years is the very real prospect of having returned the economy to equilibrium by restoring equal economic opportunity to every sector of the economy. And more important than that we will have relieved our children, and their children of the obligation to repay a burdensome $6 trillion dollar debt, from which they did not receive even one penney of direct benefit in their adult lifetime.

Let me close by saying to you, to the nation, and to the world that 'parity' prices, meaning fair and equitable and consistent raw material prices relative to the price of all other goods and services, is the KEY to a sustained optimum level of profit in the United States. Without parity prices on raw materials the value of the currency that we use, regardless of its physical make-up, color, texture, or whether it is paper or metal, it will be unstable. This unstable currency will lend instability to and permit unwarranted economic exploitation of raw material producers, and through them, every other sector of the economy.

note

This same value system is the ESSENCE of a sustained world-wide relative prosperity, and world-wide prosperity is the ESSENCE of world peace.

We believe that this presentation might be characterized as a secular analysis of God's design for the operation of the economy of the world. It distributes economic gain quite naturally to the broadest spectrum of human participants consistently, and we have proof that it works.

If we believe that it is man's mandate from God to carry out His Will on earth, then this choice would seem to be God sent.

Thank you.

V. E. Rossiter, Sr. Vice President,
National Organization for Raw Materials,
Kansas City, Mo.
January 19, 20, and 21, 1984
A Nebraska Banker

Productivity and Food Costs

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Dime-a-loaf bread and fifty-cents-a-pound steak are reminders of what were considered part of the "good old days." However, those prices were really not such a bargain in terms of work time required to buy the products. Lower productivity and lower wages meant that the typical wage earner worked over 2 hours in 1929 to earn enough to buy what it took only about 64 minutes to purchase in 1982.

Relating the Consumer Price Index (CPI) for food to wages (after taxes and social security payments) over the decades reveals the work time required to purchase a comparable market basket of food: 1940, 79 minutes; 1950, 83 minutes; 1960, 66 minutes; and 1970, 58 minutes. By comparing the minutes of work required each year to those in a selected or base year, an index was developed which indicates changes in the amount of time required to purchase products (table 1).

The index indicates, for example, that the "price" of food, measured in minutes of work in 1970 was 3 percent lower than in the 1967 base year. Similarly, in 1980 costs were 7.3 percent higher.

Changes in the minutes of work required between decades can also be measured. The index fell from 137.6 points in 1950 to 109.7 in 1960, for instance, a decline in work time required of 20.3 percent.

This index of work time as an alternative measure of food costs has a distinct advantage over considering fluctuations in food prices alone. The latter may be misleading since both prices and wages tend to change disproportionately over time, affecting the relative cost of food. For example, while retail food prices were more than four times higher in 1980 than 50 years earlier, average wages were almost 10 times greater.

The alternative measure reflects changes in the price of food, wages, and tax rates. The real cost of food, for example, will decrease as the price of food declines, wages rise, or tax rates fall.

5.7 5.8 7.8 1.8 0.92 0.88

Table 1.—Index of Food Prices in Work Time, 1940-80[1]

	1940	1950	1960	1970	1980	1982
			1967=100			
Total food	131.4	137.6	109.7	97.0	107.3	108.0
Cereals and bakery products	130.3	122.8	108.6	91.9	103.6	106.1
Margarine	207.9	184.7	110.5	89.5	101.7	96.8
Sugar and sweets	152.3	140.0	112.3	97.1	143.8	126.3
Nonalcoholic beverages	–	160.1	114.1	99.1	166.8	157.3
Fresh fruits and vegetables	113.0	113.8	105.5	90.2	108.5	110.8
Processed fruits and vegetables	161.3	130.1	116.0	92.2	102.2	106.[illegible]
Meats	117.2	148.3	108.7	99.3	104.9	100.8
Beef and veal	124.0	158.5	114.8	100.8	113.9	108.6
Pork	112.7	141.3	101.9	97.8	88.1	98.7
Poultry	273.6	201.9	133.3	91.5	80.3	72.4
Fish	97.6	135.0	106.0	98.6	139.2	137.8
Dairy products	148.6	134.1	110.2	94.4	95.8	91.8
Eggs	238.9	218.7	141.1	106.0	71.5	68.3

[1] CPI relative to average hourly wage after taxes and social security payments.

5.6 5.8 6.4 0.92 0.88

Table 2.—The Price of Selected Food Items in Minutes of Work[1]

Item	Amount	1930	1960	1970	1980	1982
				Minutes		
Round steak	1 lb.	48.4	43.8	28.5	29.4	28.8
Potatoes	10 lb.	40.9	23.3	20.7	22.1	31.3
Bacon	1 lb.	48.3	29.6	21.0	16.5	22.6
Eggs	1 doz.	50.6	28.3	13.6	8.9	8.8
Bread	1 lb.	9.8	6.7	5.4	5.4	5.4
Butter	1 lb.	52.7	34.1	19.2	20.0	20.7
Milk	1 qt.	16.0	9.6	7.3	6.6	6.7
Coffee	1 lb.	44.9	37.2	20.2	33.3	25.5
Sugar	5 lb.	34.7	22.7	14.4	22.8	17.4
All the above	1 ea.	305.4	212.2	129.9	140.9	130.9

[1] Price of food item relative to manufacturing wage rate after taxes and employee social security contributions.

"THE REAL STORY"

That percentage share of National Income earned by Agriculture annually as Realized Net Farm Income from 1929 to 1981.

The Total Loans of All Commercial Banks in the United States in Ratio to Total Deposits from 1929 to 1981

	Percent of National Income	Loans in ratio to deposits	
1929	7.2%	68.9%	
1933	6.3%	47.2%	
1939	6.2%	28.3%	
1940	5.5%	27.2%	
1941	6.2%	30.4%	
1942	7.4%	21.6%	
1943	7.1%	18.1%	
1944	6.6%	16.9%	
1945	6.9%	17.4%	
1946	8.3%	22.4%	
1947	7.8%	26.4%	
1948	8.0%	29.7%	
1949	5.9%	29.6%	
1950	5.8%	33.7%	
1951	5.9%	35.0%	
1952	5.3%	36.6%	
1953	4.3%	38.3%	
1954	4.2%	38.2%	
1955	3.5%	43.0%	
1956	3.2%	45.7%	
1957	3.0%	46.6%	
1958	3.6%	45.5%	
1959	2.7%	50.4%	
1960	2.8%	51.2%	
1961	2.8%	50.2%	
1962	2.7%	53.5%	
1963	2.5%	56.7%	
1964	2.1%	57.2%	
1965	2.3%	60.7%	
1966	2.2%	61.8%	
1967	1.97%	59.7%	
1968	1.8%	61.1%	
1969	1.9%	67.9%	
1970	1.8%	65.2%	
1971	1.7%	64.5%	
1972	1.9%	67.3%	
1973	3.0%	72.6%	
1974	2.3%	73.4%	
1975	2.0%	69.5%	Commercial Bank Data Revised by the Federal Reserve Bank for 78-79-80-81
1976	1.4%	71.0%	
1977	1.2%	72.4%	
1978	1.5%	77.6%	71.7%**
1979	1.6%	83.5%	77.4%**
1980	1.1%	81.2%	71.7%**
1981	.95%	86.5%*	76.5% 10/23/81**
1982*	.88%	85.8%	75.8% 8-25-82**
1983*	.78%	84.5%	74.5% 9-28-83 **

E.ROSSITER, SR.
IALYST

8-84

*Estimate

TRACTORS
DETRACTING:

THE DECLINE OF THE AMERICAN TRACTOR INDUSTRY

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JANUARY 1985

The dawn of the 1980s has signaled the sunset of the American farm equipment industry. A slump in the U.S. tractor market continues with little relief in sight. What exactly is happening to this typical Yankee concern and why? This paper, covering many aspects of the problem, reflects my attempt to understand the situation.

The names in the field are as familiar as the back of one's hand: Deere, Harvester, Massey-Ferguson, Ford, Case, and Allis-Chalmers among others. Many firms from abroad would like very much to join the ranks of the above, if not push some out of the picture altogether. These aliens range from the Japanese' Kubota and Yanmar, to the Italian Hesston, to our northern neighbor's Versatile. Each of these companies plays a part in the depression of this market.

Depression starts with the pocketbook of the consumer: the American farmer. The 'great grain robbery' in the early '70s pushed food prices and farm profits up. The high inflation rates during the same decade helped the farmer too in that he could get more for a tractor in trade than he originally paid, according to Larry Hollis of Robert W. Baird. Says Mr. Hollis, "But now, with our low inflation, tractors are more like cars- as soon as you step on the pedal, the value drops thousands of dollars."[1]

The bubble of high farm prices burst in the grain embargo of 1980. Shipments to the Soviets have since recommenced but the U.S. lost a considerable share to her world competitors because of the embargo.[2]

U.S. Exports of Farm Products (Billion $)

TABLE I

1979	1980	1981	1982	1983
34.7	41.2	43.3	36.6	36.1 (Est.)

Source: 3

Using Table I, a 16.6 percent decline is calculated in the value of our food exports between 1981 and 1983. Inflation's effects are not even accouted for here. Do not expect the situation to improve as long as the almighty dollar continues to strengthen: pushing up commodity prices in respect to foreign currencies, thus discouraging export sales.[4]

The decline in net farm income over the same period shows the outcome even more dramatically (Table II).

Net Farm Income

TABLE II

	Current$	1972$	
1979	32.30	19.8	(Billion $)
1980	21.24	11.9	
1981	30.97	15.9	
1982	22.34	10.8	
1983	16.10	7-8	(Est.)

Source: 5, 6

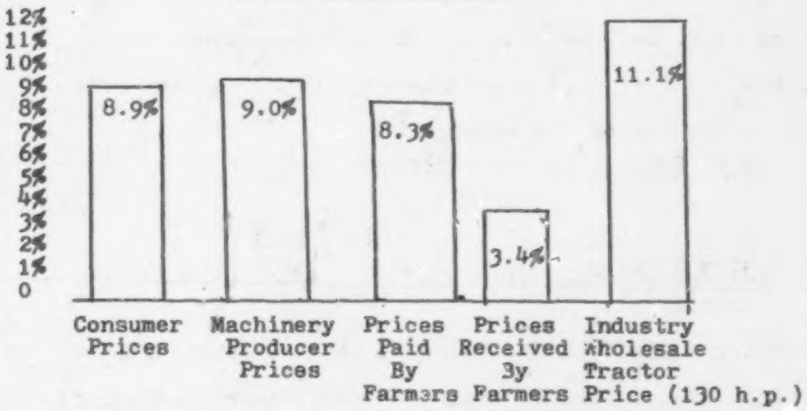
No wonder farmers are hurting so badly.

Average Annual Rate of Price Increases

(1979-1983)

TABLE III

TABLE III (Continued)



Source: 7

Prices of inputs and other goods are rising at a much higher pace than are the prices the farmers are receiving for their output (Table III). This hardly encourages them to go out and buy more equipment.

TABLE IV Interest Rates

	Prime	PCA
78	9.1%	8.7%
79	12.7%	10.6%
80	15.3%	12.7%
81	18.9%	14.5%
82	14.9%	14.6%
83	10.8%	11.5%

Source: 8

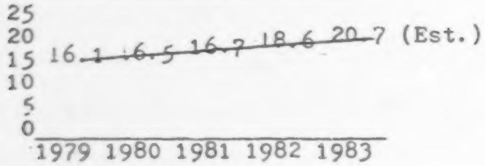
TABLE V Total Farm Debt Outstanding

1979	$ 140.814 Billion
1980	165.803
1981	181.956
1982	201.657
1983	216.319 (Est.)

Source: 9, 10

High interest rates coupled with the growing farm debt (Tables IV and V) make for a consistent drain on farmers' financial resources. Let us not forget the increasing Federal debt (reaching 1.4 trillion dollars in 1983) which is leaving less and less money available to lend on the market as well as keeping interest rates high.[11]

TABLE VI Debt/Asset Ratio



Source: 12

The rising farm debt is not totally at fault for the skyrocketing debt/asset ratio (Table VI). Land prices have fallen 25 percent since 1981, yielding a declining net worth of farmers.[13] As net worth drops it becomes increasingly difficult to borrow more funds, especially for long term capital expenditures like farm equipment.[14] Indeed, banks are examining farmers' cash flows more closely.

The falling land values signify a reduction in the value of the farmers' collateral posted against their debts. Farmers have to make up the difference. The heretofore mentioned events have put (according to Neil Harl, professor of economics at Iowa State University) "about one third of the farmers... in an extremely stressed condition." More than 3 percent of the nation's 2.4 million farmers are leaving annually.[15]

Two final items of which farmers took advantage and which offered no increase in farm equipment demand involve P-I-K and conservation tillage. Nineteen hundred and eighty-three, the year of P-I-K, saw over 83 million acres of farmland idled.[16] Farmers definitely did not have any need of tractors to till unused land. On what land they did plow, more and more farmers were using conservation tillage techniques to save the soil. As the farmer plows less there is less wear and tear on the tractor, thus it lasts longer.[17]

Farmers' pains and strains unquestionably have lessened demand for farm implements. Farmers, however, are not the central culprits in the deterioration of the U.S. tractor industry. U.S. companies within the industry are hurting themselves and those companies outside this country are hurting America within her own back yard.

When a farmer shops for a tractor he is confronted by a market divided into four standard series of power. The market is comprised of three two-wheel drive categories (under 40 h.p., 40-99 h.p., and 100+ h.p.) and four-wheel drive equipment. The following chart exhibits a breakdown of tractor sales amongst the four groups and the market overall during the period covering 1979-1983.

TABLE VII Tractor Sales
(Thousand Units)

	Under 40 h.p.	40-99 h.p.	100+ h.p.	4 w.d.	Total
1979	49.297	65.000	62.535	11.455	188.287
1980	46.742	58.121	50.328	10.877	166.153
1981	48.135	50.973	43.179	9.683	151.970
1982	41.967	41.134	29.247	6.763	119.111
1983	45.601	38.083	28.154	5.099	116.937

Source: 18

Notice that tractor unit sales are down in every class, most much below their 1979 levels. Monetary expenditures for all farm equipment also dropped during this period (Table VIII).

TABLE VIII Farm Machinery Purchases (Incl. Leasing & Rental)

1979	1980	1981	1982	1983
$12.0 Billion	10.9	10.6	8.4	7.9 (Est.)

Source: 19

Each tractor market division deserves analysis for each has its own story to tell involving the demise of our domestic tractor industry.

Sales in the under 40 h.p. sector fell 15 percent from '79 levels in 1982 before recovering in '83 to be only 7.5 percent below the said levels.[20] Do I feel distressed about this sector's decline or even happy for its slight turnaround? Not really, I have little sympathy for this field of tractors which our country abandoned altogether in 1977. Japanese imports are the under 40 h.p. market.[21] Japanese companies, however, are not the only ones selling these small tractors here. Any small tractor bearing a familiar U.S. trade name is actually just an alien in disguise.[22]

TABLE IX Under 40 h.p. U.S. Tractor Supply & Disposition

Thousand Units

	1982	1983	% Change
Beginning Inventory:	42.2	38.9	-08
Production:	0	0	0
Imports:	39.8	47.3	+19
Supply:	82.0	86.2	+05
Exports:	1.1	0.6	-45
Sales:	42.0	45.6	+08
End Inventory:	38.9	40.0	+03
Total Disposition:	82.0	86.2	+05

Source: 23

The numbers in Table IX that really stand out are the zero production figures. They mean that jobs to produce those over 45 thousand tractors (1983) are not located in

America. By the way, 35 percent of those 45 thousand sold is manufactured by one firm- Kubota.[24]

Statistical information from outside the states is difficult to obtain, particularly timely information. The latest statistics available to me from Japan were dated 1979. Japan produced 239,157 wheel tractors that year.[25] Assuming that all under 40 h.p. tractors are Japanese and taking the 1979 U.S. sales figures for these tractors, I find via mathematics that over one-fifth of Japan's tractor production is geared solely for American consumption (49,297/239,157). To quote a well known politician, "You ain't seen nothin' yet."

TABLE X 40-99h.p. U.S. Tractor Supply & Disposition

Thousand Units

	1982	1983	% Change
Beginning Inventory:	38.5	29.8	-23
Production:	15.0	0.4	-97
Imports:	20.0	39.5	+97
Supply:	73.5	69.7	-05
Exports:	2.6	1.8	-31
Sales:	41.1	38.1	-07
Ending Inventories:	29.8	29.8	0
Total Disposition:	73.5	69.7	-05

Source: 26

Sales of 40-99 h.p. tractors fell 41 percent between '79 and '83.[27] So what is America's answer to declining sales? She shuts down and imports. In 1983 the U.S. halted all production of farm tractors under 100 h.p.. The U.S. labels began importing their 40-99 h.p. units from Europe.[28] This is quite obvious with there being a 97 percent rise (1983) in shipments from abroad making up for our own disregard of this market (Table X).

100+ h.p. (Incl. 4 w.d.) U.S. Tractor Supply & Disposition

TABLE XI

Thousand Units

	1982	1983	% Change
Beginning Inventory:	41.5	41.7	+01
Production:	44.5	32.0	-28
Imports:	4.7	3.9	-17
Supply:	90.7	77.6	-14
Exports:	13.0	8.2	-37
Sales:	36.0	33.2	-08
Ending Inventory:	41.7	36.2	-13
Total Disposition:	90.7	77.6	-14

Source: 29

Sales over the four year period of 1979- 1983 collapsed 55 percent for both 100+ h.p. and 4 w.d. categories.[30] More than half the market disappeared in four years. Being told that this group is "still largely domestically manufactured with 95 percent produced in the United States" over 1982 and 1983 offers me little comfort.[31]

A breakdown of the 1983 farm tractor market by unit sales indicates that the under 40 h.p. class occupies 42 percent, the 40-99 h.p. sector involves 32 percent, and the 100+ h.p. (including 4 w.d.) group controls 26 percent of this nation's demands. In other words the U.S. only owns one-fourth of her own tractor market.[32]

When the parts assembled on the tractors in this country are considered, we may not even own one-twentieth of our market. Says Russ Green, manager of Claas Sales (a West German concern) for North America, "Relative to the import nature of the product, virtually 85 percent of the tractors, whether manufactured by domestic companies- the John Deeres, the Whites, the International Harvesters, the Cases- are made overseas, and farmers understand that."[33] My own experiences of visiting dealerships and farm shows and examining their so-called domestically manufactured tractors reveal a list of countries from around the globe that supply various parts of the tractors.

Dollar wise, U.S. production accounts for a little over 50 percent of tractor sales (due of course to the much higher cost of the large U.S. tractors).[34] The American farm implement industry has swerved down the same path as that of our auto companies. They have concentrated more and more of their production in large vehicles, which generally are more profitable, abandoning the smaller end of the market to the world beyond our shores. "The U.S. ... job loss in both cases has been enormous."[35]

Another burden involved with an industry centered about large tractors is that these tractors obviously cost more than smaller ones. When money is hard to come by (as it is today) this high cost partly discourages farmers from buying the large tractors and rather, opting for the lower priced small tractors; another sale for the imports.[36]

What is this 'enormous' job loss? How bad is it really? Allow the numbers to do the talking (Table XII).

TABLE XII Employees In U.S. Farm Equipment Industry

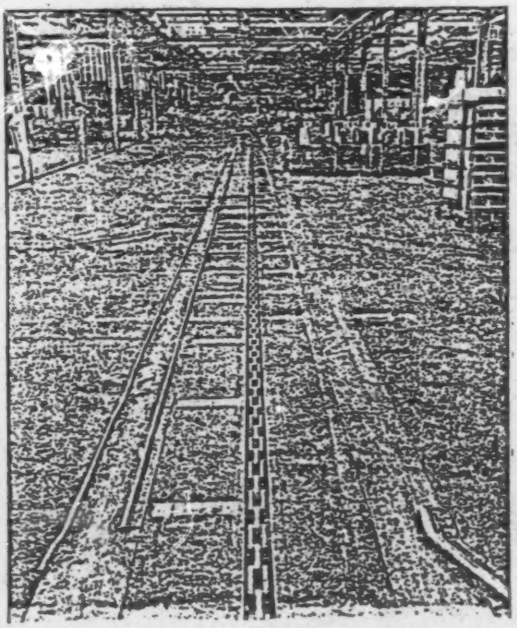
Thousands

	1979	1980	1981	1982	1983
Total:	158.9	147.4	135.8	104.8	87.9
Production Only:	112.7	100.9	89.8	66.5	55.8

Source: 37

The number of production workers in America's farm machinery industry was cut in half within the short span of four years. Even management and the professionals involved were not immune as they suffered a 31 percent job decline (Table XII). Regarding the dissipation of the workforce at her plant, one of the few remaining Harvester Farmall workers said, "I feel like my whole life's being snapped out from under me." Imports are snapping the life out of an entire industry.[38]

Foreign firms are not the only malefactors involved. As mentioned earlier, the domestic corporations have already shifted production of their under 100 h.p. tractors overseas. This shift continues as evidenced by the cold, lifelessness of a deserted production line at the Farmall plant.



Source: 39

Harvester transferred the Model 1420 combine to its plant in France in early 1984, adding to the job loss here. "The company told us it had to do it because the French government makes it prohibitive for companies like Harvester to lay off people during slack periods," says Jim

Reynolds, president of an East Moline, Illinois UAW Local. "Our French combine plant was going through a slack period, so Harvester just upped and moved our jobs over there."[40] This is a result of a 'free market' in action?

TABLE XIII Top 3 Farm Machinery Manufacturers' Net Income Summary

Million Dollars

	'83	'82	'81	'80	'79
Deere:	+23	+53	+251	+228	+311
I.H.:	-485	-1738	-351	-297	+427
Massey-F.:	-68	-413	-195	-225	+37

Source: 41

Overcapacity (the result of declining sales) is part of the problem. As of August, 1984 the domestic farm tractor industry was operating at 35 percent of capacity.[42] Expenses are rising relative to output for as these firms operate at such a low percentage of capacity, they must spread the fixed costs over fewer items produced. In such a slow moving, cut-rate market companies are really aching.

TABLE XIV U.S. Production Workers Avg. Hourly Wage

'79	'80	'81	'82	'83
$8.20	$9.04	$10.10	$10.24	$10.03

Source: 43

Contrary to what many firms would lead the public to believe, labor's wages are not a part of these rising expenses. Current wages had actually fallen between '82 and '83 (not to mention what they had in real terms) below that paid in 1981 (Table XIV).

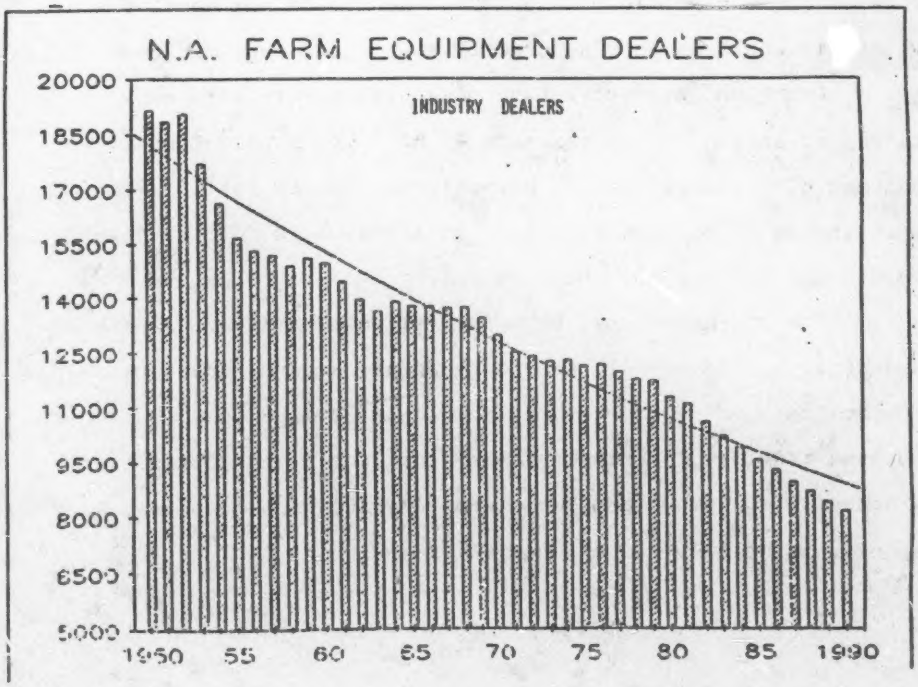
TABLE XV Tractor Inventories As A Percentage Of Purchases

TABLE XV (Continued)

	1979	1980	1981	1982	1983
40-99 h.p.:	128	294	260	278	253
100+ h.p.:	94	118	174	276	391
4 w.d.:	120	180	244	230	393
Total:	120	208	245	273	317

Source: 44

As Table XV shows, firms continued to provide additional tractors to a shrinking market. In 1983, for example, there were over three tractors in stock for every one sold. There is a tremendous investment in these products which are sitting around, waiting to be sold. Declining sales plus the price cutting directives used by dealers to attract the remaining buyers have caused around 1200 dealerships to close since 1981.[45]



Source: 46

In reference to the colossal equipment inventories USDA analysts had this to say: "Imports of machinery assembled abroad have increased significantly. At the same time, sales were declining and manufacturers did not adjust domestic production rapidly enough to avoid inventory accumulation."[47] The answer is really that simple, huh? This is the typical 'solution' advanced by the professional free traders and corporate big wigs.

I see the answer, at least for the near term, as the reverse of the above. Why not decrease imports significantly? Overcapacity is the state of America's tractor industry. We imported 90.7 thousand tractors in 1983 while producing only 32.4 thousand. In an industry running at a mere 35 percent of capacity, a significant amount of the demand now handled by imports could be manufactured by Americans, for Americans.

Deere and Harvester have Quad City plants with capacities of around 35,000 tractors each.[48] Mr. Donald Lennox, chairman of IH, says that if Harvester's Farmall factory were operating at 80 percent capacity, it alone could fulfill total projections for the 100+ h.p. market.[49]

The aforementioned USDA analysts also stated, "Japanese farmers ...are being well served by Japanese farm equipment manufacturers."[50] Evidently, as this country imports 90.7 thousand tractors, America's farmers are not being well served by domestic equipment manufacturers. America has the excess capacity to utilize. I say, use it!

Protectionism is rampant throughout the rest of the world. The EEC has restraints on Japanese goods ranging from steel to tape recorders. Japan has import restrictions on textiles, autos, telecommunications, footwear, leather, and pharmaceuticals.[51] Japanese President Nakasone, in his discussions with President Reagan, noted that Japanese farmers are as upset at the proposition of increased beef and citrus imports from the U.S. as America's auto workers are toward Japanese cars.[52] The difference between the U.S. and the rest of the world is that the foreign governments listen to the cries of their people. Free trade is just, no matter if the U.S. is the only nation that follows it. Why must this nation be dead right?

Opponents of protectionism in the U.S. allege that trade barriers would provoke retaliation, that exports would drop. I probed two areas of exports relevant to this paper: tractor exports and farm exports.

As aggregate farm equipment exports fell 15.3 percent from 2.38 billion dollars in 1982 to 2.0 billion in 1983, imports rose 14.2 percent from 1.18 billion in '82 to 1.35 billion in '83.[53] It is even worse considering tractors alone.

This nation went from a farm tractor surplus of $103 million in 1982 down to a deficit of $189 million the following year (Table XVI). Examining the trade with the EEC, America imports everything, Europe imports almost nil.

TABLE XVI U.S. Tractor Trade (Sept. 30 Fiscal Year)

-Million Dollars-

	Imports		Exports		Trade Balance	
Country	'82	'83	'82	'83	'82	'83
Canada:	131	92	373	301	242	209
W. Ger.:	100	176	*	*	(100)	(176)
Japan:	148	150	*	*	(148)	(150)
Mexico:	*	13	29	*	29	(13)
U.K.:	39	97	7	5	(32)	(92)
S. Arabia:	0	0	11	25	11	25
France:	5	16	*	1	(5)	(15)
Italy:	37	32	*	0	(37)	(32)
Israel:	0	0	4	4	4	4
Others:	34	14	173	65	139	51
Total:	494	590	597	401	103	(189)

*- Less than 1 Million

()- Negative

Source: 54

The Japanese follow the same hopper; Japan imports almost no tractors from America. In retaliation to any U.S. trade barriers what harmful actions could these nations take? Stop buying our tractors? Ha!

"They (farmers) know that most of the product (tractors) they're buying comes from overseas, and likewise that a large market for what they produce is overseas. So they know there is a trade-off," said Russ Green of Claas equipment.[55] Farm related organizations espouse about how important farm exports are in keeping America's deficit down. They are important but how have exports fared lately (Table XVII)?

TABLE XVII U.S. Ag. Exports

-Billion Dollars-

'79	34.75
'80	41.23
'81	43.34
'82	36.62
'83	36.10

Source: 56

TABLE XVIII U.S. Trade Deficit

-Billion Dollars-

'79	(27.35)
'80	(27.39)
'81	(30.05)
'82	(35.18)
'83	(60.71)

Source: 57

Ag exports fell nearly 17 percent between '81 and '83 while the nation's deficit doubled in the same period (Table XVIII). Ag exports alone cannot hold the trade deficit down.

The future trend for farm exports is not very favorable. According to the Department of Agriculture, world production of major crops is forcast to hit record levels during the '84-'85 crop year. "Competition is growing especially in the Far East, with China and Argetina exporting more corn to U.S. customers like Japan and Korea...."[58] We have not even set up trade barriers yet and these nations are already 'retaliating'. Free traders should not be putting all of their eggs in the food basket.

The shakeout has begun. The piecemeal sale of International Harvester's farm equipment business to Tenneco Incorporated is currently underway. The Harvester division shall be combined with Tenneco's J.I. Case company.[59]

Tenneco is taking only those Harvester assets useful to Case. Case is acquiring a combine plant, an implement operation, an engineering facility, and Harvester's dealer network. Tenneco was kind enough to leave IH with the burden of ridding itself of its 18 month unsold inventory.[60]

Case, which by the way lost $68 million in 1983, will not be purchasing Harvester's huge Rock Island Farmall plant; thus the 2500 employees there will lose their jobs upon shutdown of the facility. Fourteen hundred and twenty-five employees at Harvester's Memphis facility will lose their breadline this coming May when that plant is closed.[61] According to J.L. Ketelson and Robert T. Blakely, Tenneco's chairman and chief financial officer respectively, this transaction shall eliminate 30 to 40 percent of the nation's capacity to manufacture farm tractors, Case's primary farm product.[62]

Presently, through the winter of 1985, companies are silencing plants hoping to abridge the over 12 month inventory that is aging in the companies' yards and dealers' lots. The decline of America's tractor industry is very apparent.

I endorse selective protection along the same lines as those which the EEC and Japan have enacted. Until the rest of the world realizes that free trade requires two to watusi, Uncle Sam cannot remain a gentleman.

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Footnotes

[1] Steven Greenhouse, "Farm Equipment Hits A Trough," *New York Times*, November 11, 1984, p. 4F.

[2] *Ibid*.

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[33] Peter Rooney, "Bright Smiles Sell Farm Equipment at Progress Show," Daily Illini, September 26, 1984, p. 5.

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Copy for footnotes 36 through 53 not submitted.

Footnotes (Continued)

[54] USDA, Economic Research Service, Inputs, April, p. 11.

[55] Rooney, loc. cit.

[56] R.G.F. Spitze, "Historical Summary: Value of U.S. Foreign Trade and Trade Balance, Calendar Years 1940- 1983,"

[57] Spitze, "Historical Summary."

[58] "World Production of Crops Expected to Break Records," Daily Illini, January 15, 1985, p. 9.

[59] "Harvester to Sell Farm Tool Business for $430 Million," Daily Illini, November 27, 1984, p. 1.

[60] Thomas Petzinger Jr. and Betsy Morris, "Tenneco to Buy Farm-Gear Unit from Harvester," Wall Street Journal, November 27, 1984, p. 2.

[61] "Harvester to Sell...," Daily Illini, loc. cit.

[62] Petzinger Jr. and Betsy Morris, loc. cit.

(Additional attachment)

The Record Speaks For Itself

Submitted by Marge Borcher, Secretary W.I.F.E.

United States 1983 AGRICULTURAL BALANCE SHEET

1982 Production | 1983 Prices

COMMODITY	UNIT	PRODUCTION	U.S. AVERAGE PRICE PER UNIT	VALUE RECEIVED	U.S. AVERAGE PARITY PRICE	VALUE OF PRODUCTION AT PARITY	DIFFERENCE BETWEEN VALUE RECEIVED AND VALUE AT PARITY
CORN	bu.	8,359,364,000	$ 2.99	$ 24,994,495,000	$ 5.13	$ 42,883,537,000	$17,889,039,000
WHEAT	bu.	2,812,297,000	3.59	10,096,146,000	7.40	20,810,998,000	10,714,852,000
SOYBEANS	bu.	2,229,486,000	6.73	15,004,441,000	12.98	28,938,728,000	13,934,287,000
OATS	bu.	620,509,000	1.54	955,584,000	2.95	1,830,502,000	874,918,000
GRAIN SORGHUM	cwt.	471,167,000	4.89	2,304,007,000	8.69	4,094,441,000	1,790,434,000
BARLEY	bu.	522,387,000	2.30	1,201,490,000	4.58	2,540,249,000	1,347,759,000
COTTON	lb.	5,742,348,000	.62	3,560,070,000	1.19	6,833,037,000	3,272,967,000
COTTON SEED	ton	4,744,000	137.52	652,632,000	212.50	1,008,100,000	355,468,000
ALL HAY	ton	152,534,000	75.08	11,452,253,000	115.00 1/	17,541,410,000	6,089,157,000
CATTLE							
Slaughter	cwt.	231,941,000	60.18	13,958,209,000	97.52	22,618,886,000	8,660,677,000
Calves	cwt.	183,690,000	62.13	11,412,560,000	112.25	20,619,203,000	9,206,643,000
HOGS	cwt.	189,742,000	46.21	8,771,273,000	88.60	16,811,141,000	8,039,368,000
LAMBS	cwt.	8,247,000	55.49	457,544,000	106.00	890,578,000	433,132,000
ALL MILK	cwt.	1,357,950,000	13.56	18,413,802,000	22.13	30,051,434,000	11,637,632,000
TOTAL				$123,235,199,000		$217,481,342,000	$94,246,233,000

The agriculture dollar turns in the national economy 7 times.

The 7 times turn of the $94 billion underpayment to United States agriculture equals --- $658 billion. ↔ $659,723,631,000

This is the amount of earned income that the Nation could have received had United States agriculture been at parity.

In a balanced (parity) economy every farm dollar generates approximately $1.40 in taxes nationally.

The Nation lost $131 billion in tax revenues due to the fact that United States agriculture was not at parity.

Prepared for W.I.F.E. (Women Involved in Farm Economics)
National President: Sydney Beck, Route #1, Pansey, AL 36370

Prepared by: Susan Frazier
Route #2
Fairmont, NE 68354

Sources of information: USDA, National Organization for Raw Materials
1/ January 1983 parity price

PREFACE

"WITH LIBERTY AND JUSTICE FOR ALL"

The people of Scotland County Missouri, petition the United States Congress to work with family farmers, business people, lenders, clergy, and local, state, or national government officials to enact fair, long-term farm legislation that preserves Rural America.

Please realize that agriculture is the nation's fifth largest industry. Agriculture has a one trillion dollar investment and has an eighteen billion dollar return on that investment, compared to an eighty billion dollar return for the Fortune 500's top business. Agriculture is receiving essentially the same prices for crops and livestock as it did in 1943. No other segment of the economy is still working for 1943 wages.

Please remember that small businesses, county government, churches and school systems are also being adversely affected.

Please remember that what happens to people in Rural America will happen to the larger masses in cities and metropolitan areas.

Please remember that all new wealth comes from the land.

Please remember the writings of Thomas Jefferson.

Please work with the men and women of Rural America to bring real prosperity and new wealth to all of America.

Please remember that Democracy and Justice go hand in hand.

INDEX

1985 Farm Reform Act
Study by Northeast Missouri Regional Planning Commission
Statements From:
- Honorable E. Richard Webber, 1st Judicial Circuit of Missouri
- Shirley Parker, Circuit Clerk & Recorder
- Ward Benson, Jr.)
- W. T. Coffrin) Scotland County Court
- Lee Ellen Shultz)
- Rober M. Riebel, Scotland County Clerk
- Mayor Harold Davis, Jr., City of Memphis, Missouri
- Rea Oliver, Administrator of Scotland County Memorial Hospital
- LeRoy Huff, Principal of Scotland County R-I Schools
- Scotland County Soil & Water District
- Roger Briggs, Department of Social Services
- Harold Davis, Jr., Davis Oil Company & Davis DX Service
- Linda Bunch, Happy Days, Inc.
- Joe Buford, Retired Teacher
- John Dodge, J's Foods
- Clifford Horton, Presbyterian Church
- Gerald Porter, M.F.A. Manager
- Guy Gardine, Gardine Drug, Inc.

(The statements listed above are held in the committee files.)

Resource People to Contact:

DeVon Woodland of Blackfoot, Idaho, President, National Farmers Organization

Sydney Beck of Pansey, Alabama, President, Women Involved in Farm Economics.

Carlos Polit, factory worker from Moline, Illinois.

Most Rev. Maurice J. Dingman of Des Moines, Bishop, Catholic Diocese of Southwest Iowa.

Naioma Benson of Sterling, Colorado, Farmer and Vice President, Women Involved in Farm Economics.

Pat DuBois, Chairman of the Board, First State Bank, Sauk Centre, Minnesota.

Barbara F. Warden of Washington, D.C., Executive Director, National Consumer League.

Jon Wefald of North Oaks, Minnesota, Chancellor, Minnesota State University System.

Lee Ellen Shultz of Gorin, Missouri, Scotland County Commissioner.

Tom Ruth of Farmers & Merchants Bank, Memphis, Missouri.

THE FARM POLICY REFORM ACT OF 1985

SUMMARY

The Farm Policy Reform Act of 1985 brings together the wide-range of programs needed to achieve economic stability for family farmers, to preserve our natural resources, and to guarantee high quality, affordable food for consumers.

It is designed to accomplish specific objectives:

Elimination of Subsidy Payments

Producers would receive a fair price for their crops in the marketplace, not from the government. The price floor (the price support loan rate) for each commodity would be set at the cost of production for that product, totally eliminating the costly target price/deficiency payment system.

Balancing Production with Need

U.S. production of each commodity would be balanced to meet domestic needs, export demand, humanitarian needs and reserve requirements. Each producer desiring to raise that commodity would set aside a pre-determined number of acres in order to qualify for the commodity loan. This supply management program would be subject to a producer referendum.

Board of Producers

A national Board of Agricultural Producers made up of farm operators will meet to review and approve USDA's food and fiber need projections and to determine the loan rates for commodities under the program. The Board will also determine the amount of land to be set-aside to prevent surpluses.

Promotion of Sound Conservation Practices

All producers would set-aside a portion of their "base" acreage from production, and implement locally approved conservation practices on set-aside land. In addition, farmers could participate in a paid Conservation Reserve, allowing fragile lands to be placed under voluntary long-term reserve. The program would be long-term, and include prohibitions against "sod-busting" and provisions for stronger protection of groundwater resources.

Targeted Benefits

The benefits of these programs will be targeted towards family farms, using a progressive scale of dis-incentives to expansion beyond family-sized units.

Elimination of Current Disaster Payments Loan Programs

The current myriad of programs will be consolidated into one simplified approach, that offers income protection to producers and protects both consumers and livestock producers from shortage-induced price increases. Each year, farmers will contribute a portion of their annual production as an "insurance premium" into a national Farmers Disaster Reserve (FDR). Producers who suffer a loss will receive commodities from the FDR to compensate for their losses. The current Federal Crop Insurance Corporation should be expanded to cover perishable commodities which would be insured for a percentage of the previous year's marketing.

Strong Support for Domestic Food Assistance

Foods stamps will be available to people unable to purchase a nutritionally adequate diet. Surplus commodities should be used as a supplement to the food stamp program. Other programs, including WIC and the elderly and child nutrition programs will be available to all eligible households, and will not result in a reduction of food stamp benefits.

Protection of Export Markets

Market development must include increases in export credits and a "monetary adjustment program" allowing foreign buyers to receive grain from government stocks as compensation for the negative impact of the over-valued dollar.

Increased Funding for Humanitarian Food Aid

We should re-commit our nation to providing emergency assistance and we must re-direct our aid programs to encourage, rather than discourage, the development of local food security in nations facing food shortages. As part of our national commitment to food aid, farmers could elect to plant up to one-third of their set-aside acres for humanitarian food relief purposes.

Farm Credit and Debt Restructuring

The first priority must be to keep family farmers on the land until prices return to fair levels. This will require a moratorium on forced liquidations by government lenders, and it will require that current debt be re-scheduled at much lower interest rates with much longer repayment periods.

Following is a summary of the major components of our proposed bill. A full, up-dated version is available from the League of Rural Voters, 3255 Hennepin Rm 252, Mpls. MN 55408.

Supply Management/Price Support Program For Storable Crops (Corn, Soybeans, Wheat, Oats, Milo, Cotton, Rice, Barley.)

Supply Management

a) Each farmer has a designated starting "base" of crop acres, called their Normal Crop Acres (NCA), which will include any land used to raise any of the storable crops during the last four years. ASCS records would be the determining criteria.

b) On an annual basis, producers would sign-up their planting intentions with ASCS, which would reflect a 15% conservation set-aside which could not be cropped or grazed, and which must meet acceptable soil conservation standards. The remaining 85% of the land will be called the Eligible Crop Acres (ECA).

c) ASCS would multiply each farmers planting intentions by their individual historic average yield (or by the county-wide average yield if individual records are not available). This total anticipated production would be multiplied by the established CCC loan rate to determine each farmer's Projected Gross Income (PGI).

d) All producers with Projected Gross Incomes under $200,000 would plant their entire Eligible Crop Acres. For any crops, other than feed grains, farmers would be issued marketing certificates for the total amount of crop they will be producing, based on their historic yields times the number of acres planted.

e)These certificates would be used for marketing the crops. Any harvests which are larger than initial projections, can be either stored until the next crop year, or donated as a charitable contribution to the CCC for use in any food aid programs. These bumper crops could not be used to feed livestock or milk cows for commercial purposes.

f) All producers with estimated gross income over $200,000 would also set aside an initial 15% of their crop acres. Based on each farmer's planting intentions, submitted in a Supplemental Application (SA), ASCS nationally would add up all potential production, compare this against real need, and if appropriate, require that these larger producers, on a proportionally equal basis, to set-aside the total acreage needed in order to keep supply and demand in balance. Except for feed grains, marketing certificates would be issued to each of these farmers for their total projected production.

g) If there is ever a need for production greater than current capacity, Bonus Certificates and accompanying Bonus Crop Acres will be allocated on an equitable basis by the county ASCs committee. All set-aside land would be required to meet Soil Conservation Service standards.

h) Eligible Crop Acres are not automatically transferable beyond immediate family. The county ASCS committee will make the determination of re-assignment of any Eligible Crop Acres that become available due to death or discontinuation. The following would be the priority for re-assignment:

i) If the "base" that is becoming available is from a former tenant or sharecropper, then the owner of the land which had been farmed in the most recent crop year would have first option if they wanted to become an "operator" on that land.

ii) Farmers needed additional "bases" to raise their earning potential up to the county average.

iii) New or returning farmers

iv) Any other farmer in the county

v) Any other farmer

Non-farm corporations or outside investors cannot be granted any new or additional "base" in this program.

This program would be submitted for producer approval in a national referendum by all farmers who have grown these crops in the last four years.

There is research and discussion about the measures needed to insure that feed grain supply can be effectively balanced, including potential problems that could arise with the marketing certificate system.

Commodity Credit Corp. Non-Recourse Loan Program

a) Farmers will have access to CCC loans with a floor set at actual cost of production, including return to land and labor, with a ceiling set to protect consumers from any sharp rises in food prices. The price floors will be incrementally increased over first ten years of the program until, in the last year, they will be finally reach a level at which a farm families return on their labor will approximate those in other sectors of our economy. (1)

b) A ceiling would be established to protect consumers from any sudden, sharp rises in food costs. Whenever farm prices rose above 110% of parity, government stocks would be released into the market to stabilize the price below a specific level.

Secondary Storable Commodities

Wool and Mohair, Honey, Peanuts, Tobacco, Sugar, etc.

1) Each of these crops currently has a special program. These individual programs would continue, with the implementation of effective supply management tied to CCC loans at the actual cost of production for each crop.

2) Countervailing tarrifs on any of these items which are imported should be used to insure that competing countries are not allowed to "dump" any of these products at below cost of production prices onto the US market.

3) Revenues from the countervailing tarrifs will be used to fund domestic and international market development and promotion efforts.

Fresh Fruits and Vegetables

1) Current marketing order programs should continue, with greater effectiveness and stability.

2) All imported fruits or vegetables will be required to meet the same standards as US grown produce for safety and quality.

Dairy and Cheese

1) The current hodgepodge of dairy programs would be replaced by a single national milk marketing order. A national referendum of dairy farmers on the following supply management program would be conducted.

2) A "base" for each farmer would be established, which would be their highest production year in the last 4 years.

3) Each dairy farmer would receive marketing certificates for a specific amount of milk needed to balance supply with demand. Farmers with anticipated gross incomes of under $200,000 would receive a quota equal to their "base." Farmers with gross incomes over $200,000 per year would receive a quota based on the actual production needed to meet overall demand.

4) Dairy prices, for the milk marketed through the certificates, would be established at actual costs of production, and move up gradually until they reach a full 90% of parity.

5) Any milk marketed by a farmer above their specified quota would be assessed an "overquota levy" of 75% of the current price.

6) "Bases" stay with farmers, and cannot be rented, leased, or sold. Whenever a dairy farmer stops farming, the bases is re-allocated by the county ASCS committee on the following priority guidelines.

a) Members of immediate families
b) Farmers within county needing to expand production in order to bring their family income up to county-wide average
c) New farmers
d) Other farmers in the county
e) Other farmers

7) Non-farm corporations and outside investors could not acquire new or additional "bases."

Red Meat and Poultry

1) Upon approval by a national referendum, a price stabilization program, similar to the one proposed for dairy farmers, would be implemented for hog, chicken, and dairy beef.

2) Based on the highest production over the past 4 years, livestock and poultry producers would receive an allocated "bases." Farmers below $200,000 gross income would receive marketing certificates equal to their entire base. Farmers with gross incomes above $200,000 per year would be required to adjust their herd or flock sizes in order to bring anticipated production into line with demand. These "bases" belong to farmers, and they cannot be rented, leased, or sold. If a farmers discontinues, the base reverts to the county ASCS committee for re-allocation according to the same general guidelines as cited for crop and dairy bases.

2) Price stabilization at actual costs of production, would be instituted through a combination of balancing supply with demand through the marketing certificates, and government purchasing programs for the military, schools, commodity programs, and a strategic reserve.

3) Countervailing tarrifs on all imports will be used to prevent "dumping" by foreign producers.

3) All imported meats must meet all standards imposed on producers here in the US.

Soil and Water Conservation

1) All land that is claimed in any farmer's Normal Crop Acres must be maintained with would soil and water conservation practices, with assistance from the Soil Conservation Service

2) Any producers wanting to retire more than the necessary set-aside would receive compensation for any Class 4 or worse land that they would enter into a long-term Conservation Reserve contract with the government, including the planting of permanent cover crops.

3) Provisions to prevent "sod-busting" would be included as part of the overall cross-compliance feature of our Bill.

4) Water Conservation Programs, including provisions for providing rebates to producers who agree to retire center-pivot or other irrigation systems, are included.

Disaster Assistance

The current jungle of programs would be replaced by the following: For storable commodities, farmers would contribute a small percentage of their production each year as a "premium." Whenever they experience a disaster, they will receive 90% of their estimate loss in actual commodities, taken from the pool created by the yearly premiums.

For livestock, equipment, and buildings farmers would carry direct insurance, provided by independent insurance companies or the Federal Crop Insurance Corporation.

Farm Credit and Debt Restructuring

The Bill includes 3 major components:

1) Reforms at the current federal lenders, especially FmHA and SBA
2) An effective debt-restructuring program
3) Immediate Moratorium on all forced liquidations by government lenders.

Reforms at Federal Lenders

a) Re-direction of FmHA to its historic role of being a "lender of last resort" dedicated to helping new and limited resource farmers.
b) Elimination of the FmHA Disaster Loan Program
c) Enforcement of rules and regulations that now govern the actions of FHA, including court orders, the Code of Federal Regulation, etc.
d) End all practices of discrimination against women, minorities, and specific types of farmers, like dairy.
e) Full implementation of all loan servicing provisions, including debt-restructuring, to bring monthly interest costs down to a manageable level.

Debt Restructuring

Our proposal includes the use of debt write-off where appropriate, the re-scheduling of debts to longer terms and lower interest rates, protection for unsecured creditors, and the expansion of the Farm Ownership program of FmHA to provide all the necessary funds needed to reschedule all debt needing re-negotiation.

Moratorium on Foreclosures

FmHA, SBA, and all other government lenders would immediately implement a 24 months moratorium against any forced sale or liquidation, and they will insure that all the affected families have adequate family living funds.

Export Market Development

1) The Bill calls for an expansion of export market development, including the doubling of the export credit guarantee program.

2) In addition, a "monetary adjustment program" would give grain from CCC stocks to foreign buyers who are harmed by the "strong" dollar.

Humanitarian Food Aid

1) Food for Peace should be continued and expanded.

2) Food aid programs should only be organized in conjunction with local agricultural development programs for nations needing emergency relief.

3) Farmers could choose to plant up to a third of their set-aside acres for donate towards humanitarian relief.

Domestic Food Assistance

1) Expansion of the elderly and child nutrition programs, as outline in HR.7, as passed by the U.S. House of Representatives last year.

2) Restoration of recent cuts in food stamp benefits and alteration of unfair restrictions on eligibility, including the use of the Low Cost Food Plan to determine benefits, semi-annual adjustment of benefits on a prospective basis, an increase in liquid asset limits and an increase in dependent care and shelter deductions.

3) The commodity programs for both schools and individuals should be continued and strengthen to provide adequate food for people in need, and to expand markets for U.S. food products.

In addition to the elements of the 1985 Farm Bill that are covered here, there are a number of other legislative concerns that must be dealt with, including:

Tax Structure Reform: to control investment credits, capital gains exemptions, and write-offs against non-farm income.

Reduction of the Federal Deficit: a key element in getting US commodities moving into international markets again.

Protection of the Capper-Volsted Act: to maintain farmers' right to collective bargaining.

Continuing Federal Support Rural Electric and Phone Coops

Assistance to Rural Businesses, Banks, and Unemployed Workers in Ag-Related Industries Hurt by the Farm Crisis: including debt-restructuring for banks, jobs programs, and low-cost loans to severely affected rural businesses, etc.

End to Discrimination Against Minority, Limited Resource, and Women Farmers by any agency of the federal government.

For More Information Contact: League of Rural Voters, 3255 Hennepin Ave. Rm. 252, Mpls MN 55408.

(Attachments follow:)

NORTHEAST MISSOURI
REGIONAL PLANNING COMMISSION
& RURAL DEVELOPMENT CORPORATION

SUITE 208, FIRST NATIONAL BANK
P.O. BOX 965
KIRKSVILLE, MISSOURI 63501
TELEPHONE 816 665-4615

James B. Shaffer, Chairman
Harold Davis Jr., Vice-Chairman
Phillip Baker, Secretary
Jack Shelton, Treasurer
Nelson J. Glasgow, Executive Director

Executive Committee
Steve Hunt
Jack Shelton
James Shaffer
Harlan Hunziker
Paul Parsons
Pauline Campbell
Phillip Baker
Ward Benson Jr.
Harold Davis Jr.
David Stump

Member Governments
Adair County
Clark County
Knox County
Schuyler County
Scotland County

Cities
Alexandria
Arbela
Baring
Brashear
Downing
Edina
Gibbs
Glenwood
Gorin
Granger
Greentop
Hurdland
Kahoka
Kirksville
Knox City
Lancaster
Luray
Memphis
Millard
Newark
Novelty
Novinger
Queen City
Revere
Rutledge
Wayland
Wyaconda

AGRICULTURE IN NORTHEAST MISSOURI

The Northeast Missouri Region is primarily an agricultural area, and agriculture is the largest sector of our regional economy. Agricultural trends have closely followed state and national farming trends. The average farm size is increasing and the total number of farms is decreasing. Exhibit No. 6 presents important statistics on Northeast Missouri agriculture.

Soybeans and corn are the major cash crops in the Region. Commercial crop yields have declined over the years due to poor weather conditions. Livestock has become the region's 2nd greatest agricultural income producer. The beef and dairy cattle and the hog and pig sales have increased while other livestock has decreased.

It is forecast that agriculture will retain its dominant position on the Regional economic scene, but at the present time the situation is in a crisis state of affairs. With the high rate of interest, high fuel costs, high price of machinery & repairs & the low price received for their crops & produce it seems that the United States is trying to break all the farmers & then they can all work on federally owned farms for the government as they do in Russia.

EQUAL HOUSING OPPORTUNITY

We Are An Equal Opportunity Employer

We recently ran a small add in a weekly paper in Clark County & found an extremely large percent of our farm families are far below the poverty level & not registered for unemployment anywhere, so this showes the published unemployment rate to be extremely inaccurate.

If we do not get a long range farm program that supports farm prices, no one in the farming industry will be a tax payer & the United States will be a country of scarcities & worse off than some of the now depressed countries

ECONOMIC CHARACTERISTICS SUMMARY

There is a noticeable shift in employment in the region from agriculture and manufacturing to services, wholesale and retail trade (Exhibits 8, 9, and 10). This trend is evident not only in the Northeast Missouri region but also in the state and nation (Exhibit 10).

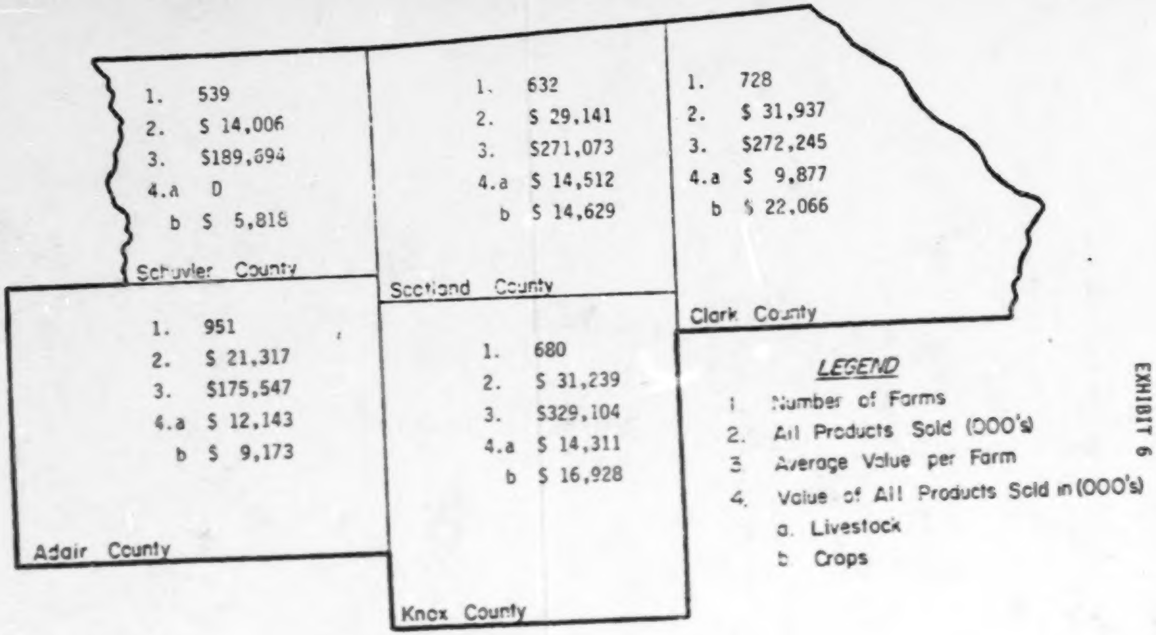
Exhibits 11 through 17 are labor force statistics from the Missouri Division of Employment Security. These statistics support the noted shift in employment and the fact that the region's employment and unemployment has flucuated with that of the state and nation with an added seasonal fluctuation reflect the influence of agriculture on the economy of the region.

The net effect of these changes in employment on regional income is evidenced in Exhibit 18. The adjusted per capita and median family incomes are decreasing as employment shifts to service and retail jobs which have lower wages.

While population statistics and unemployment rates would indicate a stable economy, the overall economic trends effect on the people of the region are toward lower paying jobs and underemployment of the labor force. This can only be reversed by attracting and maintaining the higher skilled and higher paying manufacturing and professional jobs.

With recent plant closings in the growth center and slow downs of other industries it is even more urgent that a broad based regional economic development effort be launched to reverse economic decline in Northeast Missouri. An aggressive and positive attitude must be developed.

EXHIBIT 6


1. 539
2. $ 14,006
3. $189,694
4.a D
b $ 5,818
Schuvler County
1. 632
2. $ 29,141
3. $271,073
4.a $ 14,512
b $ 14,629
Scotland County
1. 728
2. $ 31,937
3. $272,245
4.a $ 9,877
b $ 22,066
Clark County
1. 951
2. $ 21,317
3. $175,547
4.a $ 12,143
b $ 9,173
Adair County
1. 680
2. $ 31,239
3. $329,104
4.a $ 14,311
b $ 16,928
Knox County
LEGEND
1 Number of Farms
2. All Products Sold (000's)
3 Average Value per Farm
4. Value of All Products Sold in (000's)
a. Livestock
b Crops

Selected Agricultural Statistics for Northeast Missouri

From: 1982 Census of Agriculture
Table 1, 3, 11 & 12

EXHIBIT 7

Northeast Missouri Railroad Network

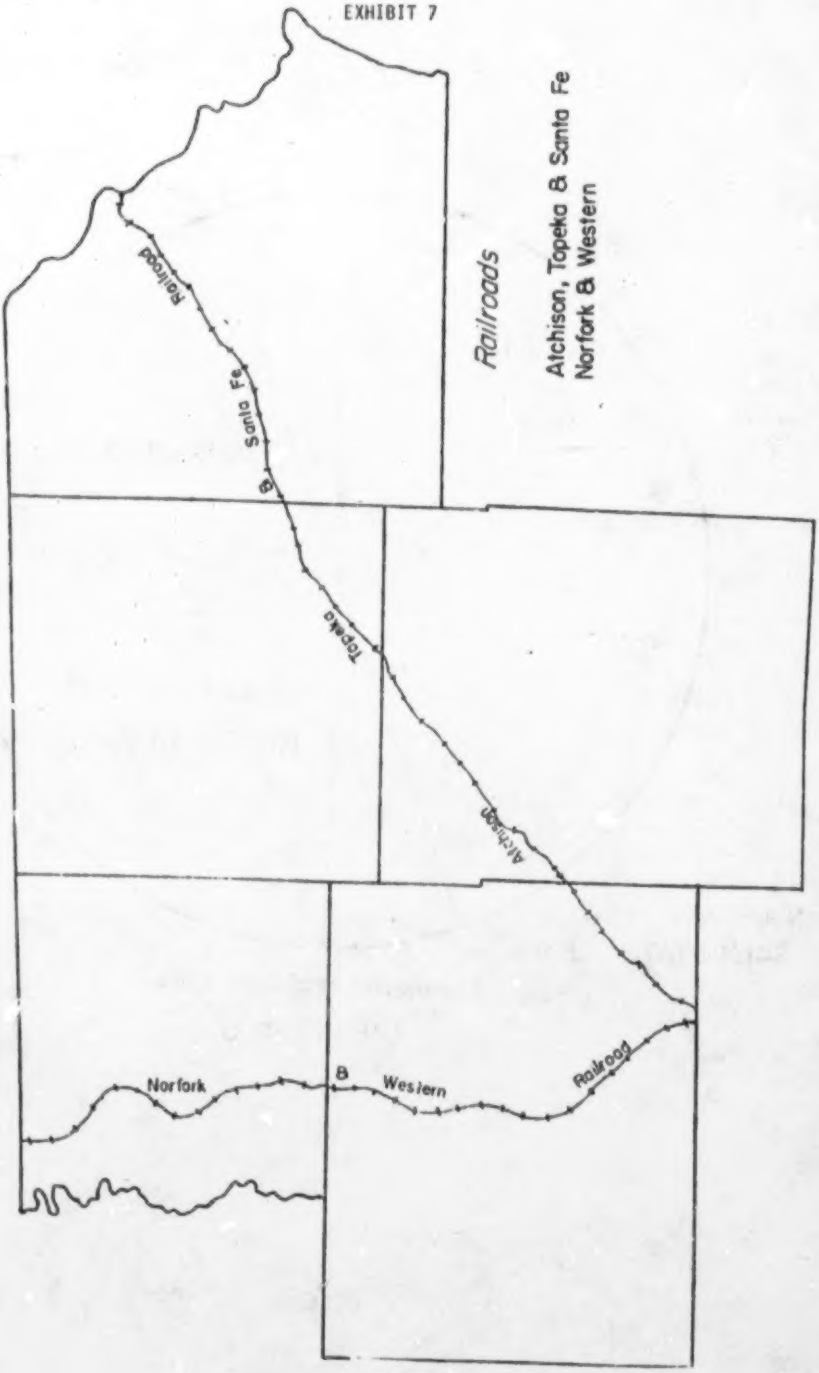
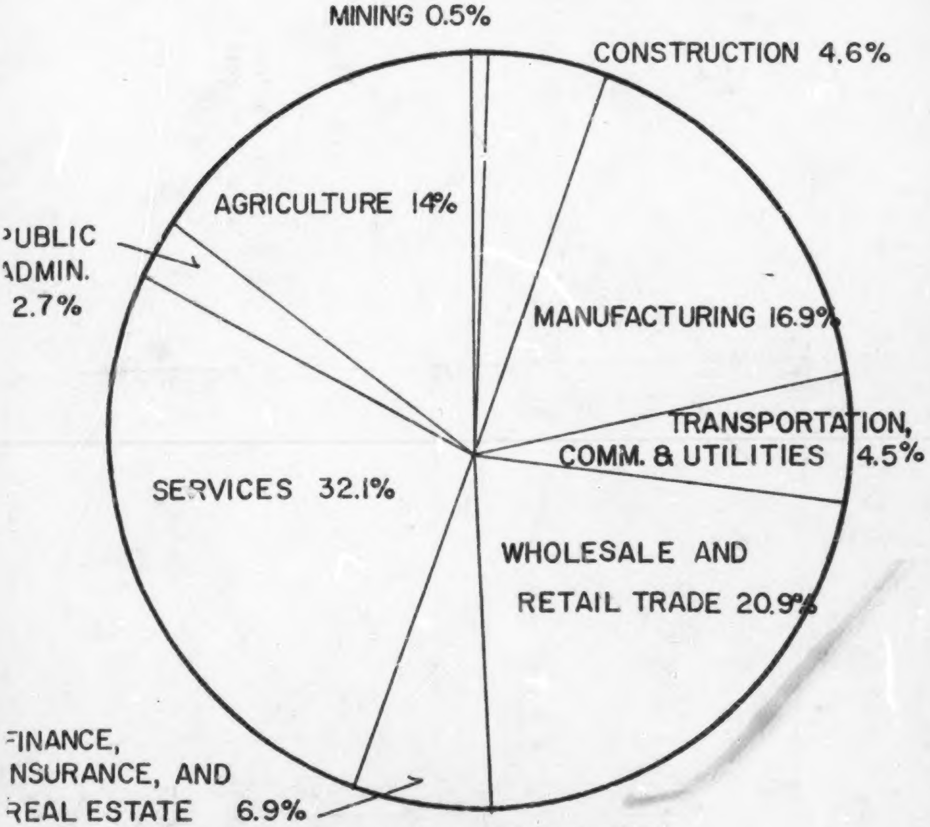

Railroads
Atchison, Topeka & Santa Fe
Norfork & Western
Atchison Topeka & Santa Fe Railroad
Norfork & Western Railroad

EXHIBIT 8

REGIONAL DIVERSIFIED ECONOMY-NEMO



Employment as of April, 1984

1980 CENSUS

EXHIBIT 9

EMPLOYMENT CHANGE
NEMO

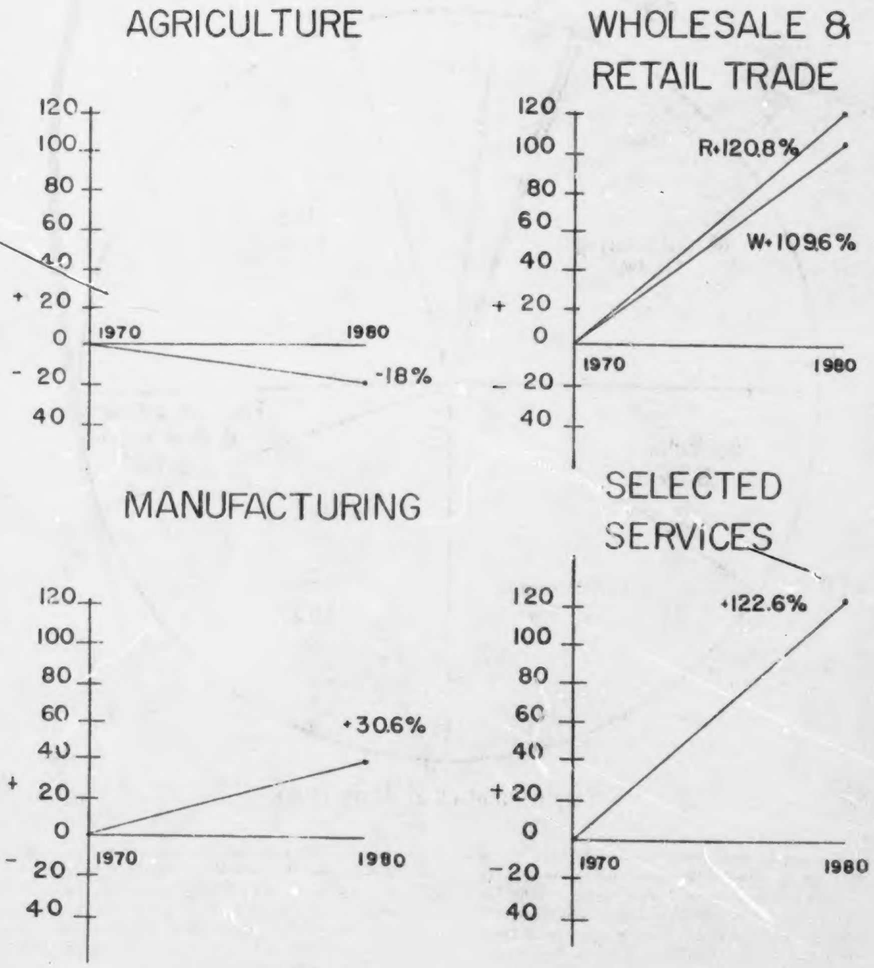
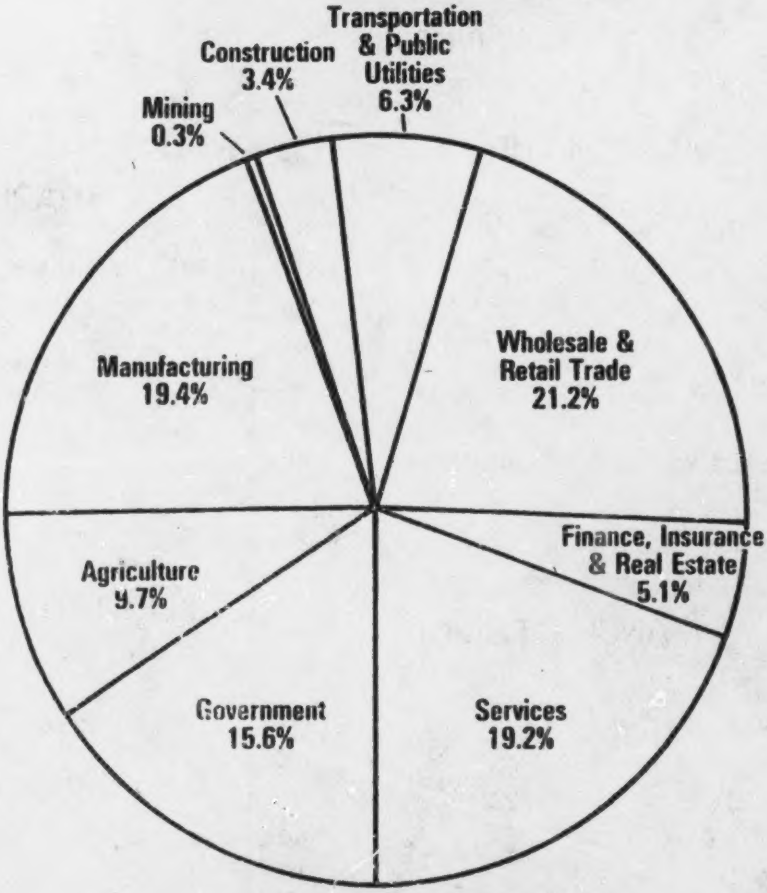


EXHIBIT 10

Missouri's Diversified Economy



Employment as of April, 1984

Missouri's economy is well balanced and highly diversified. The state's historically sound economic structure is particularly conducive to most types of business activity. The major sectors of the state's broad-based economy include wholesale and retail trade, manufacturing, services, government, agriculture, transportation, public utilities, finance, insurance, real estate, construction and mining.

Manufacturing has been the focal point of Missouri's economy since the 1940s. Despite the economic recession, several industries within Missouri's manufacturing sector have experienced considerable growth during the last five years. The state's chemical industry has grown some 15.0% since 1980; food, 12.5%, electronics, 11.9%; transportation equipment, 4.8%, and printing 3.3%.

EXHIBIT NO. 19

COMMUNITIES WITH MAJOR WATER AND SEWER DEFICIENCIES

COUNTY CITY	NEED PUBLIC WATER SUPPLY SYSTEM	WATER SUPPLY SYSTEM NEEDS IMPROVEMENTS	NEED COMPLETE SEWER SYSTEM	SEWER SYSTEM NEEDS IMPROVEMENTS
ADAIR				
Brashear				
Gibbs			X	
Kirksville		X		X
Novinger				
Millard			X	
CLARK				
Alexandria			X	
Kahoka				X
Luray			X	
Revere			X	
Wayland				
Wyaconda				
KNOX				
Baring		X		X
Edina		X		
Hurdland			X	
Knox City				
Newark		X	X	
Novelty	X			
SCOTLAND				
Arbela			X	
Gorin		X	X	
Granger			X	
Memphis				X
Rutledge			X	
SCHUYLER				
Downing		X	X	
Glenwood			X	
Greentop		X		
Lancaster		X		X
Queen City				

EXHIBIT NO. 20

COMMUNITIES WITH MAJOR NEEDS IN THE AREAS OF MEDICAL FACILITIES, EDUCATIONAL FACILITIES, INDUSTRIAL DEVELOPMENT, AND COMPREHENSIVE PLANNING

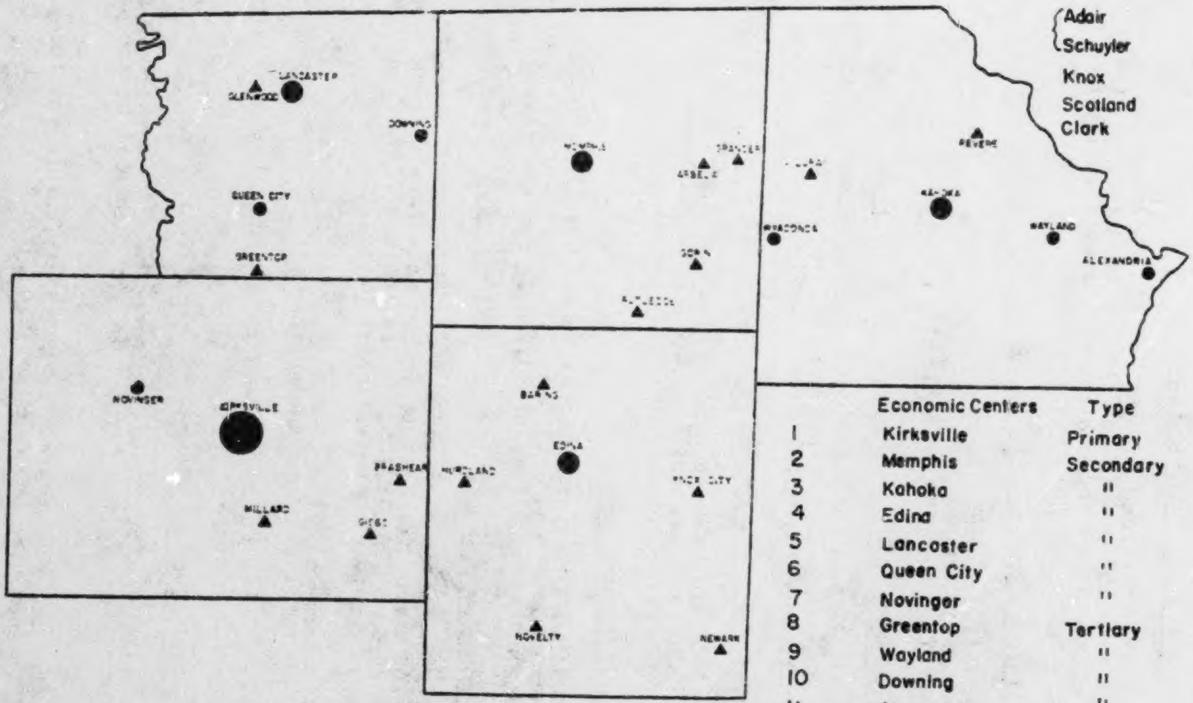
COUNTY CITY	MEDICAL SERVICES	VO - TECH FACILITIES	INDUSTRIAL DEVELOPMENT	COMPREHENSIVE PLAN	HOUSING
ADAIR					E_1
Brashear	X		X	X	
Gibbs	X			X	
Kirksville	X	X	X	XF	L.I$^{(1)}$ E.2
Novinger	X		X	X	E (1)
Millard	X			X	
CLARK					
Alexandria	X			X	
Kahoka	X	X	X	X	E (1)
Luray	X			X	
Revere	X		X	X	
Wayland	X		X	X	E (1)
Wyaconda	X		X	X	E (1)
KNOX					
Baring	X			X	E (1)
Edina	X	X	X	X	E (1)
Hurdland	X			X	
Knox City	X			X	E (1)
Newark	X			X	
Novelty	X			X	
SCOTLAND					
Arbela	X			X	
Gorin	X		X	X	E (1)
Granger	X			X	
Memphis	X	X	X	X	L.I. (1), E (1), & E (2)
Rutledge	X			X	E (1) B
SCHUYLER					
Downing	X		X	X	
Glenwood	X				E (1)
Greentop	X		X	X	E (1)
Lancaster	X	X	X	X	L.I. (1), E (2)
Queen City	X		X	X	E (1)

F - Plan needs updating
D - Comprehensive Plan Being Developed
(1) - Low Income - Aggregate HUD - Fm. H.A.
E-1 - Financed by Fm.H.A.
E-2 - Financed by HUD
A - Under Construction
B - Local Funds Raised

X - Services Provided

EXHIBIT 21

Economic Activity Centers


LANCASTER
GLENWOOD
DOWNING
QUEEN CITY
GREENTOP
MEMPHIS
GRANGER
ARBELA
GORIN
RUTLEDGE
REVERE
KAHOKA
WYACONDA
WAYLAND
ALEXANDRIA
NOVINGER
KIRKSVILLE
BRASHEAR
MILLARD
GIBBS
BARING
HURDLAND
EDINA
KNOX CITY
NOVELTY
NEWARK

1980

County	Persons Employed	% Regional Labor Force
Adair Schuyler	15,857	66.5
Knox	2,405	10.1
Scotland	2,321	9.7
Clark	3,266	13.7

	Economic Centers	Type	1980 Population
1	Kirksville	Primary	17,167
2	Memphis	Secondary	2,105
3	Kahoka	"	2,101
4	Edina	"	1,520
5	Lancaster	"	855
6	Queen City	"	783
7	Novinger	"	626
8	Greentop	Tertiary	538
9	Wayland	"	498
10	Downing	"	462
11	Alexandria	"	417
12	Wyaconda	"	349

PREPARED STATEMENT OF NEAL W. ROGERS, EATON RAPIDS, MI

Good morning, Mr. Chairman and committee members. My name is Neal Rogers, I am a dairy farmer and farm consultant from Eaton Rapids, Michigan.

My family and I operate a 60 cow, 400 acre family dairy farm that is in its third generation. Over 90 percent of our herd is home bred. I would like to show you what has happened to this family dairy operation this past year.

I. Pounds of milk shipped from farm

In 1983, this farm shipped 745,455 pounds of milk. In 1984, this farm shipped 826,752 pounds of milk. The total pounds of milk shipped from this farm was up 81,297 pounds over 1983 but yet the net income was down.

II. Dollars taken in, milk income

1983- $102,678.80
1984- $113,000.33
An increase of $10,321.53.

III. Milk Tax

This farm has helped support the Government Dairy Program. It cost this farm $3,688.43 in 1983 and in 1984 this farm contributed $4,133.77 in milk tax.

IV. Total farm expenses

In 1983 this farm's expenses were $126,126.01. In 1984 this farm had expenses of $146,808.13. An increase of $20,682.12 over 1983 in expenses.

V. Total farm income

In 1983, this farm's total income was $120,170.82, in 1984 the total income was $143,549.59, an increase of $23,378.77, yet we sustained a loss of $3,258.54 for the year.

VI. Price for milk

If the farmer received a reasonable return, over the cost of production, for his milk, then this farm's gross income would have been $223,182.46. An increase of $79,632.87 would have been received by this farm alone in 1984.

Our farm would have had a disposable income of $76,374.33 to have generated into the economy.

For a price to the farmer, an 8 ounce glass of milk would go up only 7 cents.

VII. Action needed

Action must be taken within the next 90 days by Congress, or 10 percent of the farmers in Michigan will be gone this year.

I appreciate the opportunity to appear before you today, thank you for your time and consideration.

1985 FARM BILL
CALLED
"FAMILY FARM EXISTENCE PLAN"

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FORWARD

The 1985 Farm Bill must give producers the opportunity to receive a fair price for what they produce. Also, it must protect our natural resources, put a lid on production, insure that we receive our fair share of exports through competitive pricing, and be market-oriented to decrease government cost,

Family farms across America are being said to satisfy debts that were unable to be serviced because of high interest rates and low commodity prices. The decline of family farm numbers is affecting the entire segment of rural America through lost business, increased bankruptcy, high unemployment and increased psychological pressure. Stable costs to consumers at the food counters coupled with decreased government spending for agriculture means some segment of the American food system must take the brunt. In the past and present this segment has been the family farmer.

In the future, emphasis on high farm program costs to . Keep consumer prices low must change to reflect low program costs to keep fair prices at the producer level. Increased taxes and the ballooning budget deficits prove that our society is always charged the full amount for food. There are no free lunches in terms of economics, its only the method for payment that changes.

Keeping the above statements in mind we humbly submit for your consideration a 1985 Farm Bill proposed by farmers, small businessmen and clergy .called the "Family Farm Existence Plan".

FAMILY FARM EXISTENCE PLAN

Presented here is a proposal for a long-term storabe commodities program which, through a simple formula, requires all producers to set aside a portion of their cropland for conservation practices but allows mid-sized operators to plant and harvest a larger percentage of their total acres than large operators during periods of overproduction.

This bill provides optimum program benefits to operators who gross $200,000 or less from the production and sale of food, feed, and fiber. As farm size increases above this level, and incremental decrease in the percentage of planted acres will occur, but support prices will remain constant.

The program utilizes both acreage allotments and production quotas, but it differentiates between producers on the basis of annual gross sales. This greatly reduces the problem inherent in designing a program around acreage allotments in a nation with such widely-varying yields in different areas of the country.

This program also changes the current system of crop-by-crop and farm-by-farm bases for different storable commodities. Instead, each producer has one base called "Normal Crop Acres" which can be allocated to different crops in any year.

This approach gives producers the freedom to change, year to year, the storable commodities they wish to produce on their farms rather than locking them into the crops for which bases are currently established. This makes crop rotation practices much more feasible, and it will also make family farmers the primary producers of each storable commodity.

In addition to and in conjunction with this production control program it is also recommended that loan rates be set, for the first year, at 70% of parity, a price level approximately the actual cost of production. Then, as improved commodity prices generate increased economic activity throughout the nation, the loan rates should be increased incrementally by two parity index points per year until the loan rate reaches 90% of parity.

Also included in this program is a "producer-paid crop insurance -program" which would serve as a income-stabilization program for family farmers and as a supply-stabilization program for consumers.

The focus of the entire package is to:

(1) match inventory with need,

(2) ensure producers the opportunity to make a profit,

(3) insulate both consumers and farmers from the effects of natural disasters,

(4) promote increased conservation practices,

(5) target optimum program benefits to family farmers, and

(6) build in disincentives to expansion beyond the family-sized farm unit, and

(7) minimize program costs to the federal government.

It is imperative that this program be read in it's entirety before any judgements to its effectiveness or logic be judged. It is also important that the worksheets be completed on an "average" farm to see the programs merit.

Proposed Annual Loan Rate Increase

1986	70%
1987	72%
1988	74%
1989	76%
1990	78%
1991	80%
1992	82%
1993	84%
1994	86%
1995	88%
1996	90%
1997	90%
1998	90%
1999	90%

Sample Acreage Allotment And Marketing Certificate Application For Storable Commodities

Sign-up Sheet A

Normal Crop Acres (average number of acres farmed during the last four years including set aside)........ ______acres

Multiply by 85% (remaining 15% is required to be set aside for conservation use) ....X .85

Eligible Crop Acres................................ _______acres

Please indicate on the following page the storable commodities you wish to plant and the acres of each commodity requested. Total acreage must not exceed the number of "Eligible Crop Acres" listed above.

If your "Projected Gross Annual Income" from farm marketings is $200,000 or less, you will receive an "Automatic Allotment" authorizing the planting of crops and acres indicated in Column A. You will also be issued a "marketing certificate" authorizing the sale of the specified amount of each crop indicated in Column C.

Projected Gross Sales - Sign-Up Sheet B

A Acreage request	B Proven yield or county yield (take higher)	C Projected production	D County loan rate	E Projected proceeds
____acres of CORN X	____bu./acre =	____bu. X	$_____/bu. =	$________
____acres of SORGHUM X	____cwt/acre =	____bu. X	$_____/cwt =	$________
____acres of WHEAT X	____bu./acre =	____bu. X	$_____/bu. =	$________
____acres of ALFALFA X	____ton/acre =	____ton X	$_____/ton =	$________
____acres of OATS X	____bu./acre =	____bu. X	$_____/bu. =	$________
____acres of BARLEY X	____bu./acre =	____bu. X	$_____/bu. =	$________
____acres of SOYBEANS X	____bu./acre =	____bu. X	$_____/bu. =	$________
____acres of RICE X	____cwt/acre =	____cwt X	$_____/cwt =	$________
____acres of COTTON X	____lbs/acre =	____lbs X	$_____/lbs =	$________

____Total acres (not to exceed "Eligible Crop Acres")

Projected Gross Sales $________

If your "Projected Gross Sales" on the preceding page exceeded $200,000, enter the total figure in space (a) below and complete the indicated computation to determine your "Automatic Acreage Percentage":

Sign-Up Sheet C

A. Acres Requested	B. Automatic Acreage Percentage		C. Automatic Allotment
_____acres of CORN	X________%	=	__________acres
_____acres of SORGHUM	X________%	=	__________acres
_____acres of WHEAT	X________%	=	__________acres
_____acres of ALFALFA	X________%	=	__________acres
_____acres of OATS	X________%	=	__________acres
_____acres of BARLEY	X________%	=	__________acres
_____acres of SOYBEANS	X________%	=	__________acres
_____acres of RICE	X________%	=	__________acres
_____acres of COTTON	X________%	=	__________acres

You will also receive a "Supplemental Allotment" authorizing you to plant a specified percentage of your remaining acres: That percentage will be determined as follows:

1. Your "Supplemental Allotment" request for each crop will be determined by subtracting the "Automatic Allotment" for each crop from the Acres Requested (column C from Column A).
2. USDA will calculate the total U.S. production requirements of each crop by projecting (1) domestic demand, (2) export demand, (3) Food aid requirements, and (4) reserve requirements.
3. USDA will add up all Automatic Allotments for each crop nationwide and subtract those totals from the total U.S. production requirements for each crop. The remaining "supplemental requirements" for each crop will be prorated on a percentage basis to all Supplemental Allotment requests across the nation.

Supplemental Allotment Request	X	Supplemental Acreage Percentage	=	Supplemental Allotment

4. Your "Total Allotment" for each crop will be calculated by adding your "Automatic Allotment" to your "Supplemental Allotment." NOTE: If, in any year, a shortage of any crop requires an unusually high level of production and the need cannot be met by the projected production of all the Automatic Allotments and Supplemental Allotment Requests, then the Supplemental Allotment Requests will be granted at 100% and the additional need will be filled by granting an equal number of "bonus acres" to you and all other producers growing that crop.

5. At the time you receive a Total Allotment for each crop, you will also receive a marketing certificate for that crop. The marketing certificate will authorize you to sell no more than the county average yield per acre or your established farm historical yield, whichever is higher. When your production exceeds your marketing certificate, you may elect to:

(a) Store the inventory and sell it under next year's marketing certificate. This will allow you to reduce inputs the following year, thereby saving money, but still fulfilling next year's certificate.

(b) Sell the inventory to other producers who could not produce enough to fill their current marketing certificate.

(c) Sell the extra production to the Commodity Credit Corporation for 50% of the loan rate. It would then go into the reserve and cost the government considerably less than commodities obtained under the loan.

(d) Apply for a "Supplemental Marketing Certificate", which would be issued to you if unfavorable conditions caused shortages.

(e) Donate part of the excess (as a tax-deductible, charitable contribution) to the CCC, specified for use in the Food for Peace Program.

A Self-Help Producer-Paid, Crop Insurance Program

To protect you and other family farmers and ranchers from natural disaster, a PIK insurance program should be created. This program will offer you income protection and will also stabilize the volume of commodities available in the marketplace, thus protecting both consumers and livestock producers form shortage-induced increases in the price of commodities.

Under this program a portion of the strategic reserve will become the insurance pool. If you suffer a disaster loss, you will receive commodities from the reserve to compensate for losses.

Most family farmers would be covered for 90% of their losses, and the percentage of coverage will decline in relationship to the size of larger operations. However, all producers begin to receive benefits for all losses above 10%. This differs from traditional federal crop insurance programs that require much higher losses before any insurance benefits are received.

The percentage of loss eligible for 90% coverage will be determined by dividing $400,000 into your projected gross annual income from marketings.

$400,000 - Projected Gross Income = % of loss eligible for 90% coverage

If your Projected Gross Income is less than $400,000, then your losses are eligible for 90% coverage.

If your Projected Gross Income is $500,000, then only 80% of total losses are eligible for the 90% coverage.

But if your Projected Gross Income is $2,000,000, then only 20% of total losses are eligible for the 90% PIK payments.

See "Premium Coverage Chart" for more example.

To replenish the reserve, all insurance payments will be totalled and the following year all producers of that commodity will be required to contribute a prorata percentage of their crop to the USDA as an "insurance premium."

Larger producers can insure the remainder of their crops through traditional channels.

This program will accomplish the following:

(1) Most family farmers will be covered for portions of their losses. Larger producers will be covered for portions of their losses, but no producers can receive coverage worth more than $360,000. In all cases however, coverage will begin when losses exceeded 10% of established or county-average yield, whichever is higher.

(2) During years when crop losses created shortages, the compensating commodities would enter the market and alleviate the shortage, thus protecting consumers and livestock producers from extreme price increases.

(3) All producers of storable commodities will be eligible for insurance coverage, but the larger a producer is above $400,000 annual gross income, the less percentage of the total crop will be covered.

(4) Under this program the government will no longer be responsible for disaster payments and the program would only cost the taxpayers minimal storage and administrative costs.

Corn Farmers, Follow This Procedure To Estimate Your Own Insurance Benefits

1. Divide your annual gross income from corn marketings by $3.72* per bushel. For the purpose of these calculations, we assume that $3.72 per bushel is the new program loan rate. This calculation will estimate the total bushels produced.
EXAMPLE: $250,000 ÷ $3.72* per bushel= 67,204 total estimated bushels
2. Divide your total corn production by your proven per acre yield if it's higher than the county average, or use the county average if your yield is low. The resulting number will approximate your total acres.
EXAMPLE: $67,204 ÷ 95.44** = 704 approximate acres
3. Multiply your total production by 4%**** to discover your approximate premium cost in bushels.
EXAMPLE: 67,204 X 4% = 2688 bushels
4. Multiply your premium cost in bushels by the loan rate of $3.72 per bushel to discover approximate cost in dollars.
EXAMPLE: 2688 bushels X $3.72 per bushel = $9,999.36

* $3.72 per bushel = 70% parity
** 95.44 bushels per acre = 10 year annual corn average
*** 4% = 10 year annual average yield decline fluctuation
NOTE: We suggest that you inject actual farm yield averages and gross income totals to better estimate your cost.

Premium Coverage Chart

TOTAL BUSHELS PRODUCED	TOTAL ANNUAL INCOME	TOTAL PREMIUM	ACTUAL COVERAGE	APPROX. TOTAL ACRES FUNDED	PREMIUM IN BUSHELS
28,735 bu.	100,000	4,000	90% of loss	301	1,149
71,839 bu.	250,000	10,000	90% of loss	752	2,873
114,942 bu.	400,000	16,000	90% of loss	1,204	4,597
143,678 bu.	500,000	20,000	72% of loss	1,505	5,747
172,413 bu.	600,000	24,000	60.3% of loss	1,806	6,896
201,149 bu.	700,000	28,000	51.3% of loss	2,107	8,045
299,885 bu.	800,000	32,000	45% of loss	2,408	9,195
258,621 bu.	900,000	36,000	40% of loss	2,709	10,344
287,356 bu.	1,000,000	40,000	36% of loss	3,011	11,494
431,034 bu.	1,500,000	60,000	24.3% of loss	4,516	17,241
574,713 bu.	2,000,000	80,000	18% of loss	6,022	22,988
862,069 bu.	3,000,000	120,000	11.7% of loss	9,032	34,482
1,149,425 bu.	4,000,000	160,000	9% of loss	12,043	45,977
1,436,782 bu.	5,000,000	200,000	7.2% of loss	15,054	57,471
2,155,172 bu.	7,500,000	300,000	4.8% of loss	22,581	86,206
2,873,563 bu.	10,000,000	400,000	3.6% of loss	30,109	114,943

Summary of Recommendations

A. Mandatory Programs

This program will only work if it's manatory. Therefore, it must suffer the scrutiny of a producer referendum and it must have the support of notonly farm organizations, but of grassroot producers and the media across the nation. It must also have the support of the consuming public.

B. Loan Rates

The loan rate should be set at the cost of production using a formula set forth in the statue that cannot be altered by the USDA

C. Target Prices

Target prices should be eliminated in the 1985 Farm Bill.

D. Bases and Allotments

We should return to a normal crop acres (NCA) method for establishing our bases and allotments. For purposes of explanation, lets begin the program with the fall 1986 planting of small grains.

Each farmer planning to plant winter grains for harvest in 1987 would be required to go to his ASCS office by May 31, 1986, to sign for ALL CROPS he intends to plant for harvest in 1987. Farmers not intending to plant winter grains would not have to complete sign-up until November 30, 1986. ASCS will calculate and assign acreage allotments and production quotas within 15 days of the sign-up deadlines.

To protect rice farmers, all land planted in the past three years would be considered NCA and set-aside percentages would represent normal rotation practices for all crops. Here is a specifc example of how this new type of NCA would function. If an individual farmer wanted to plant 1,000 acres of land consisting of 250 acres of corn, 250 acres of cotton, 250 acres of soybeans, and 250 acres of wheat, then the farmer would sign up accordingly with no set-aside included. The U.S. Department of Agriculture in Washington would total these figures and establish nation wide set-aside needs for each commodity. The farmers would return to the local ASCS office to find that possibly there was a 15% set-aside requirement for cotton, 15% set aside for corn, 20% set aside for soybeans, and maybe as high as 35% set aside for wheat. The farmer would then be obligated to plant the next crop accordingly. At the end of the first year, farmers will then be allowed to readjust bases or allotments for any crop, up or down by 20% per year. So, if farmers wanted to plant less wheat to reduce their total set aside, they would reduce their acreage of wheat by 20% and increase their acreage of cotton by 20%, thereby increasing the total planted acres on each of their farms by a small amount and reduce our nation's supply of wheat. This mechanism should level out production with need within four years.

Normal Crop Acres (NCA) will be non-transferable. After the retirement or death of a farm operator, or upon sale of the land, the NCA will revert to a county acreage pool that will be reallocated to the next operator of the farm upon request. This method will keep the NCA base in the hands of the active farm operator and will prevent bases and allotments from being capitalized in the form of increased land values.

E. Soil and Water Conservation

The 1985 FArm Bill should recognize throughout its entirety that conservation of natural resources for future generations and creating an environment for a prosperous rural America are the primary reasons upon which national government involement in agriculture should be founded. Therefore we reccmment that:

(1) The Soil Conservation Service be required to develop extensive training programs to upgrade the quality of their service.

(2) The SCS should also be expanded to extend its assistance to energy and water conservation areas in dry land farming and reduced input farming.

(3) The local committee/district system should be strengthend.

(4) ACP payments should be predicated upon conservation plans approved by local Soil and Water Conservation District Boards and all technical assistance should be the responsibility of the Soil Conservation Service.

The 1985 Farm Bill should contain provisions that help producers reduce their consumption of irrigation water from underground aquifers. This could be done by paying producers to set aside their sprinkler system. For instance, if a half-section of 320 acres had one dry-land quarter and one irrigated quarter that contained a circle system, the farmers would have two different yields (a dry-land and irrigation yield).

Using corn as an example, the dry-land yield might be 25 bushels and the irrigated yield might be 100 bushels per acre. Leaving out the corners of the circle system, you have 120 acres producing 100 bushels to the acre, 200 acres producing 25 bushels to the acre. The irrigation system, or actually the underground aquifer, produced an excess of 75 bushels per acre on 120 acres, or 8,400 bushels.

The 1985 Farm Bill should contain a provision that allows farmers to receive a water conservation payment of 50% of the 8,400 bushels or 4,200 bushels of grain. This program should be utilized for a definite period of time, such as three to five years. Farmers would then be prohibited from running their irrigation pumps for a predetermined additional period of time following the end of the irrigation set-aside plan, preferably five to ten years. Under this program a farmer can plant any amount up to 85% of his NCA, but he would depend on Mother Nature for a crop, not upon natural gas or an underground aquifer.

A system for land diversion payments should be established as an incentive to producers who plant cover crops on diverted acres. In essence, the diversion payment would be the cost of the seed (up to a specified limit) for the cover crop. Upon planting the cover crop, the operator would submit his seed bill for reimbusement by ASCS. This approach would, for the most part, encourage operators to utilize the highest order of legumes and thus promote soil-building as a conservation measure.

F. Payment Limitations

All set-aside provisions should be structured to provide maximum benefits to producers who have a gross annual income of $200,000 or less. Incrder to prevent giantism in agriculture, we must increase the set-aside through a predetermined formula for all producers who gross more that $200,000 per year. So, if a corn farmer's gross yearly income was $200,000 or less, the set-aside would be set at 15%. And, if a corn farmer's yearly gross income was $300,000 per year, the set aside for corn might be 16%. But if the farmer's gross annual income was $1 million, his set-aside for corn might be 18%.

However, this increase in set-aside over the 15% level would only occur in years follwoing overproduction.

G. Federal Crop Insurance Corporation

The Federal Crop Insurance Corporation (FCIC) should be revised to become an income-maintaining self-help program for producers of some storable commodities.

When farmers agree through referendum to participate in Federal farm programs, they shouldautomatically be enlisted into a self-help Federal Crop Insurance Program and be assessed a small portion of their annual production (to be stored in local warehouses) that will be used for payments after producers suffer a disaster. This car be done on a regional or county basis, whichever is more feasible.

When disasters strike, farmers will have a nation-wide grainery to cover the loss. This nation-wide grainery should be distributed as equally as possible over the entire Untied States. Storage should be paid by the Commodity Credit Corporation on inventories equal to 35% of the average annual consumption of each storable commodity. The insurance coverage level for storable commodities through this mechanism should be set at a level not less than 90% of established farm yield.

The current Federal Crop Insurance Corporation should be expanded to cover perishable commodities. Perishable commodities should be insured at 85% of the previous year's marketings not production, but marketings. Through this mechanism all segments of agriculture could be insured at a substantial reduction in cost to the federal government.

H. Commodity Credit Corporation

The Commodity Credit Corporation (CCC) should allow loans to be made to farmers through private local banks backed by a Commodity Credit Corporation guarantee in case of defaults.

Additionally, all interest earned by the banks from these loans would be tax deductible if the interest rate did not exceed a predetermined rate that could be tied by a foumula to T-bills. Currently CCC loans are creating no revenue. So, the government would lose nothing by this tax advantage. Extra tax incentives and advantages should be awarded to banks who make these guaranteed loans to allow for a buy-down of interest rates. These loans must be discountable to the Federal Reserve for not less than the term of normal CCC loans, or 9 to 18 months. In this manner, current CCC authority could be reduced sustantially, which would cause a substantial reduction in farm program impacts on the federal budget.

I. Farm Credit

In order to strengthen the farm economy immediately a program should be set up whereby FmHA and SBA buy down interest rates on operating loans to two (2) points over the rate of inflation. A limit of $100,000 should be established as the ceiling of the amount of loan for which interest rates could be bought down. Also, this program would be limited to a two year program of participation. This program is not limited to FmHA and SBA operating loans only, it is for all credit institutions granting operating loans to agriculture.

J. PL-480 - Food For Peace

Public Law 480 should be expanded to mandate the distribution of a predetermined amount of food and feed grain production to needy countries. This program should be structured to remove a predetermined percentage of grain surpluses from the Commodity Credit Corporation or the Federal Crop Insurance storage.

Also, if farmers produce beyond the USDA's production goals, and federally-owned grain stocks increase, then all inventories over 35% of a year's requirements should automatically be made available for distriubtion through PL-480.

Also, any producer who donates grain into the Federal Crop Insurance program in excess of his normal annual assesment may use this donation as a charitable deduction, dollar-for-dollar, up to 10% of his gross annual income.

Expenditures for the Food Stamp Program shall be indexed to national unemployment percentages and be subjected to annual readjustments. A base year for purposes of indexing should be established that will provide the maximum distribution of food to needy people. Similarly, the school lunch program funding should be indexed to unemployment and to other economic indicators as necessary.

K. Federal Grain Inspection Service

The authority of the Federal Grain Inspection Service (FGIS) should be expanded to include continuous inspection of inbound trucks to port facilities. Current statues give the Federal Grain Inspection Service authority over inbound trucks upon request by the seller. It is a normal business practice for port facilities to employ private grain inspection services that are subject to the same standards as FGIS. These privately owned inspection services should be phased out with no new licenses issued for privately owned inspection companies. Grain should also be inspected when it enters the ship at the port and at its destination overseas. We can not allow for infurior product going to our foreign customers.

L. Livestock Imports

Meat import quotas must be adjusted downward to cause meat prices to seek a level at parity with grain prices, because grain prices will be supported by a loan rate equal to the cost of production.

M. Tax Structure

In order to add to the reduction of the federal deficit and keep agriculture in the hands of professional farmers it is imperative that some tax loopholes be closed for non-farmer investors in agriculture.

Through the prepayment of expenses and feed stuffs it is possible for an individual to defer tax liabilities. This practice has made farming for profit obsolete and made farming for the purpose of reducing taxes much more common. The cost to the government for allowing this practice to continue is two-fold: Reduced tax revenue coming from the non-farmer investor and reduced tax liability from the family farmer. Also, the 1985 Farm Bill should help repeal the effect of tax laws that allow developers to convert grasslands to crop production in order to reap large tax advantages.

N. In order to encourage the permanent retirement of marginal farm ground, both dry land and irrigated, a program needs to be established whereby for four years the land permanently retired can count in establishing "Eligible Crop Acres" but it must be planted to permanent native grasses. The retired ground may not be pastured for a period of four years and a retirement fee of $10 per acre will be paid to the farmer for four years.

CONCLUSION

If we build these ideas into the 1985Farm Bill, we will give a real boost to the rural economy.

A correctly-constructed Farm Bill should have the potential to reduce deficits, reduce unemployment, increase the government's tax base, and return prosperity to rural America.

We would be well-advised to understand the eccnomy as well as Benjamin Franklin in order to accomplish our task:

> "There are three ways a nation can become wealthy: It can make war and take the wealth of another by force, it can trade freely and make a profit by cheating, or it can profit through agriculture, where by planting a seed we create new wealth as if by a miracle."

Submitted by Leland Townsend, dairy representative,
National Farmers Organization

Highlights
1985 Farm Program Proposal for Wheat, Feed Grains, Cotton and Rice
by National Farmers Organization

The 1985 farm legislation proposed by the National Farmers Organization would modify and extend existing farm programs. It would stabilize prices at more reasonable levels and continue to assure an adequate supply of agricultural products for domestic and export needs. It would provide a bridge between the current farm crisis and the time when export expansion and a more sensible land use policy will bring production more nearly in balance with what the market will take at reasonable prices.

Its main program-modification provisions would: 1) target benefits to independent owner-operators; 2) reduce farm program costs because this is certain to be required by Congress and the Executive Branch; 3) enhance resource conservation in a practicable manner; and 4) help expand exports in a way that does not place the entire burden of such a policy on farm producers. The independent operators targeted are the mid-range producers who typically farm their own land and some rented ground and who rely almost entirely on farming for their livelihood.

These are the main provisions:

1) Extend farm programs at least five more years.

2) Eliminate the target price concept to reduce costs.

3) Establish loan rates at 75% of parity and continue use of non-recourse loans to carry out price support objectives.

4) Allow repayment of non-recourse loans at loan level plus interest or the market price currently received by farmers, whichever is lower. The market price approach is a workable response to those who desire market clearing prices on exportable quantities of wheat, feed grains, cotton and rice.

5) Phase out the farmer-owned reserve because of its burdensome complications and rely on long-standing CCC authority to "reseal" or "extend" an individual loan on a particular crop at the producer's request. This privilege would be offered when the government anticipated a large takeover at loan maturity and wished to keep reserve stocks at the farm location. Storage payments would be made.

6) Continue authority for the diversion requirement as a loan eligibility feature. A production goal would be set at a level needed to assure an adequate supply plus a modest carryover to protect the public against a shortfall caused by drought or other disaster.

7) Require diverted acres to be seeded to a conserving crop or placed in a similar conserving use and authorize modest payments designed to offset the cost of required conserving practices.

8) Deny price supports to crops produced on fragile land.

9) Require a producer obtaining program benefits to comply in the same commodity on all farms under his control and to comply with all commodity programs applicable to his operation in order to secure the benefits of any of them.

10) Exclude from program eligibility the production on land owned by institutions, government agencies and foreign entities. Exclude also the production of absentee partnerships, syndicates, and large corporations (including their subsidiaries), when their principal source of income is other than farming.

This proposal cannot by itself assure an end to the current farm crisis or guarantee prices at profitable levels for producers. Other action is needed to deal with the federal budget deficit, exorbitant real interest rates, the inflated value of the dollar in world trade, an exaggerated dependence on foreign markets, and other contributors to the current farm crisis. Some reasonable progress in solving these problems also must be made in order for any farm program to work well.

Adopting this farm program proposal and administering it effectively will improve net income for the owner-operator sector of agriculture. Its tight compliance requirements will help assure its effectiveness. The market price repayment provision for non-recourse loans is purposely designed to compel the government to set production goals at levels that will protect the interests of both taxpayers and producers. Although this approach may first be regarded by some as old-fashioned or out of date, it should properly be considered as a substantial move toward modernizing the farm program.

This proposal does not include recommendations on dairy policy or farm credit. We recommend early and separate action to extend the Dairy Diversion Program and to restructure farm debt.

Washington Office
National Farmers Organization
January 3, 1985
CHUCK FRAZER
484-7075

Cooler
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Eagle-Beacon

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Rural Incomes Keep Sliding

Poverty Becomes Growth Crop to State Farmers

By Dirck Steimel
Staff Writer

Many of Kansas' most successful farmers didn't make enough last year to get above the federal poverty level, says a survey by Kansas State University.

The survey of 2,070 members of K-State's Farm Management Association, found they had a median net income of $8,184, which is $1,[illegible]14 below the poverty level for a family of four.

"TO SAY it's tough is an understatement," says Richard Neville, a farmer in Kingman. "If you didn't inherit a lot of land or money, it's a damn uphill deal."

For the moment, most of the association's farmers aren't going hungry and probably are living comfortably because they accumulated enough equity in their farms through the years to survive, says Larry Langemeier, an economics analyst with K-State's Farm Management Association.

But that equity — that is, the money value of a property in excess of claims and liens against it — will stretch only so far. The farmer's future is threatened, Langemeier says, because the equity has been seriously eroded since 1980 by a string of tough years marked by severe droughts, high interest rates and depressed grain prices.

The average farm in the state is worth about $380,000, according to the latest Census of Agriculture.

K-State arrived at the net income figures through a computer survey of the Farm Management Association. The 2,070 members — all full-time farmers — are often considered the elite among growers because they are required to keep detailed records and show a commitment to innovative management.

LANGEMEIER SAYS the outlook for 1984 does not appear any brighter than 1983.

He predicted that 2 percent to 4 percent of the association's farmers would go bankrupt in 1984. "And more are at the point where they'll need several outstanding years — with good crops and higher crop prices — to pull even," he said.

Farm experts concede that the situation could be worse for many of the state's other 71,000 other farmers.

While some are making money, Langemeier said, a growing number are finding themselves deeper in the red each year. "About a quarter of our producers (Farm Management members) are having real problems that aren't going to go away," he said.

AMONG THE other facts in the Farm Management report:

- The 1983 average net income of association members was

$11,832. (The average is the total income of the group divided by the number of farmers and the median — $8,184 — is the midpoint. Half the farmers are below it, half above.) For members in areas hit by a drought that cut milo, corn and soybean crops by more than half of 1982 production, the average net income was under $10,000.

- The average farm carried a debt of 61 cents on each dollar of net worth. And, Langemeir said, many of the farmers in the survey had negative debt-to-asset ratios, meaning they owe more than they are worth. "Since 1974 net farm income has declined almost 27 percent, but interest costs have risen 242 percent," he said.
- Farmers' costs have risen 77 percent in the last decade, while prices farmers get for grain and livestock are lower than they were 10 years ago.

The net income for Farm Management program members was computed on an accural basis, Langemeier said, meaning that inventory such as crops stored in a bin or cattle in a feedyard is counted as income.

TO FIND the total net income, the association adds all crop and livestock sales, government payments, and other outside income to determine gross farm income. Then it subtracts all farm purchases — such as equipment, seed, fertilizer — interest costs on short term loans and other business expenses to determine net income.

From his net income, Langemeier said, the farmer must pay such things as living expenses, principle on long-term debt and Social Security taxes.

Income taxes also would have to be paid from net income, "but that has not been a problem for a while," Langemeier said.

For most growers, 1979 was the last year they were able to pay taxes and build on their equity, he said. That year snappy wheat and corn exports, especially large sales to the Soviet Union, sent grain prices higher at the same time farmers were experiencing almost perfect growing weather.

Each of the state's big four crops — wheat, milo, corn and soybean — was produced in record quantities in 1979, and the median net income for Farm Management members that year soared to $34,944. Only two years later, in 1981, it slipped to $431, when crop prices stumbled and costs for fuel and borrowed money were soaring.

EVERY YEAR since 1979, the economic vise has tightened, Langemeier said. Production costs — especially interest, fuel and utilities — climbed steadily as crop and livestock prices slumped.

"Wheat worth $3 a bushel and $80,000 tractors don't make much sense," says Ken Grecian, a farmer in Bouge.

Land and machinery, on which farmers have traditionally built their equity, no longer carry the value they did a few years ago, Langemeier says.

Land prices, after rising for 20 consecutive years, dipped in 1981 in Kansas and across the country. Farmland values fell again in 1982 and 1983, marking the the first time since the Dust Bowl says of the 1930s that land values declined three years in a row.

Those declines, Langemeier said, damaged all farmers, even those who didn't buy or sell land during the period.

THE INFLATING land prices constantly raised a farmer's net worth after World II, and especially during the 1970s. "The value of their assets were increasing and that meant they could always borrow more money," he said. "They were living off inflation, not earnings from their farm."

However, since 1981 most farmers have found banks and other lenders extremely cautious about lending, he said.

At the same time, farmers are using their machinery far longer than ever before and closely controlling all expenses, even some once considered minor.

"People are scrounging around, using anything to get by," said Neville of Kingman. "I have friend who works at a tire shop and he says they hardly sell any tractors tires anymore."

THE 1983 Farm Management survey showed that weather still cracks the biggest whip in the Kansas farm economy.

Farmers in the association's northeast Kansas district, who saw their dryland crops wither in the hot, dry summer, had the lowest average net income at only $671. Conversely, farmers in the heavily irrigated southwest district had the highest average net income at $27,666. (District-by-district median figures were unavailable).

The 1983 average net income totals for farmers in the other four Farm Management districts were:

- $6,005 in the southeastern district, also hurt by drought.
- $9,491 for growers in the north central Kansas.
- $17,347 for the big wheat region of south central Kansas farmers.
- $26,214 for farmers in the northwesten district, which harvested its best wheat crop ever in 1983.

The southwest district's $27,666 net income might not be as good as it appears, said Langemeier, because the rising cost of pumping groundwater from the Ogallala Aquifer is taking a larger bite out of southwest Kansas growers' income.

Harlen Olljen, a Brown County farmer and rancher, agreed that the weather turned out to be the biggest problem for northeastern Kansas farmers in 1983. And 1984 probably won't be much different, he said.

"Last year was a disaster, and we haven't had a rain since the first of July," he said. The farm's corn crop will be less than half of normal, he said, and the soybeans are deteriorating day by day.

"It's sure not the kind of a year you get heated up on," Olljen said.

GENERAL FARM BILL OF 1985
(Secretary John R. Block)

WEDNESDAY, MARCH 20, 1985

House of Representatives,
Committee on Agriculture,
Washington, DC.

The committee met, pursuant to notice, at 9:35 a.m., in room 1300, Longworth House Office Building, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Present: Representatives Jones of North Carolina, Jones of Tennessee, Rose, Weaver, Bedell, English, Panetta, Huckaby, Glickman, Whitley, Daschle, Stenholm, Volkmer, Tallon, Evans of Illinois, Thomas, Olin, Penny, Stallings, Bruce, Madigan, Jeffords, Coleman, Hopkins, Stangeland, Roberts, Emerson, Morrison, Gunderson, Evans of Iowa, Chappie, Franklin, Lewis, Smith, Combest, and Schuette.

Also present: Representative Hall of Ohio.

Staff present: Phillip L. Frass, counsel; William E. O'Conner, Jr., assistant minority staff director; John E. Hogan, minority counsel; Mark Dungan, minority associate counsel; Peggy L. Pecore, clerk; Howard Conley, Bernard Brenner, Anita R. Brown, Eugene Moos, Brenda B. Hatton, and Lynn Gallagher.

OPENING STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The Chairman. We meet today and tomorrow to wrap-up the hearings which began last year when this committee reached out to all of rural America and all involved in agriculture from the ultimate consumer back to the lowliest producer. Our committee reached out to the entire Nation and visited all but one or two States. And this hearing is the final full committee session to conclude the hearing process. The subcommittees are already working, and I might explain that we have both the Conservation, Credit, and Rural Development Subcommittee and the Livestock, Dairy, and Poultry Subcommittee meeting this morning. They had set their meetings before we announced this hearing. This hearing was scheduled at this particular time to accommodate the Secretary. We had expected to have him this morning but have changed that to this afternoon due to the visit of the President of Argentina and their Minister of Agriculture. That has forced us to reschedule the Secretary for this afternoon.

We have not asked for public witnesses or Members of Congress, but rather for organizations. Since our last meeting, the administration, has sent a proposal to the Hill which has been introduced in the House and in the Senate. The Secretary will address that legislation this afternoon.

This morning we have witnesses from several of the organizations for any contribution they may care to make at this stage.

Also, I might add that today is Agriculture Day throughout the United States, and this committee has passed a resolution urging all Americans to at least have a kind thought for the farmers and producers of this country. We are the best-fed people in the world. Of course, there may be problems here and there where someone could point to some areas where there is some malnutrition, or even some hunger, but that is not the fault of the farmer. The problems concern other reasons, such as a wage earner without a job, or perhaps something else has happened, but it is never the fault of the farmer. And yet, the farmer is the lowest on the totem pole as far as income is concerned. They are having terrible times with the price for which they sell their products and the high cost of credit. Few farmers can operate with their own resources, they have to avail themselves of credit for every crop that is planted. Weather has been abnormal and enters into the lack of profitability.

I stated recently to a group that I was addressing that it seems that everything bad that could happen to agriculture in one century somehow has come to pass within 2 or 3 years. So, the farmers, ranchers, and producers find themselves in very difficult circumstances. And, with few exceptions we have the best quality food for the best prices and least amount of disposable income per family.

At least let us have a kind thought for the farmers and producers of America sometime during the day today—National Agriculture Day.

We have witnesses from the National Farmers Organization, the Rocky Mountain Farmers Union, the National Grange, the National Public Policy Education Committee, and the Sierra Club.

Do you have any statement, Mr. Madigan?

Mr. **Madigan**. Thank you, Mr. Chairman. No; I have no statement; I think you've covered it very well. I look forward to hearing from these gentlemen this morning, and especially look forward to our meeting with the Secretary this afternoon.

The **Chairman**. Thank you very much.

We'll invite each of the witnesses, along with their associates, to kindly come to the witness table.

And for no other reason except this is how you appear on my list, we'll recognize you in that order.

If you have a prepared statement, the full statement will appear in the record as submitted, and then you may summarize or shorten it as you see fit.

Mr. Frazier.

STATEMENT OF CHARLES L. FRAZIER, DIRECTOR, WASHINGTON OFFICE, NATIONAL FARMERS ORGANIZATION

Mr. **Frazier**. Mr. Chairman and members of the committee, it's a pleasure to appear before you this morning. We welcome the opportunity to relate the position of some of our farm people and offer a bit of advice on the 1985 farm bill.

In view of the widespread interest in the crisis facing most farm communities, I wish to devote my limited time to a discussion of broad concepts for a new farm bill, believing that it is a proper starting point to reverse the unfavorable trends in our farm economy.

We are expected, I presume, to comment on the administration's proposal for a farm bill. I should like to dispose of that obligation rather quickly, if I may. We think that the proposal generally promises additional and continuing disaster out there in the farm communities. The Secretary speaks of a new and a more responsible era and of long-term solutions. It's ironic that this form of sliding scale price supports was first proposed back in the 1950's. It was defeated then, and we will hope that it would be turned aside now.

In my statement I, of course, do have some highlights on the current debt load carried by our producers, and a reference to net farm income, if that generates any questions among the members of the committee, but I should like to turn quickly to the farm program proposal that we offer you from the National Farmers Organization. It is carried as an attachment to my statement.

In the first place, we would advocate a program for 5 years. We offer to give up the target price concept because it is expensive and we believe that there is a better approach to support farm income. We propose that you would establish loan rates at 75 percent of parity and continue, of course, the nonrecourse loan program that has long been authorized by standing legislation.

We would like to see authority granted the Secretary to allow nonrecourse loans at the loan level in the normal fashion, but permit producers to repay the loan and move the commodity to market at the lower of the loan rate level or the market price. This is a concept that is now sponsored by a number of organizations in the National Capital; I think you will hear more of it. I hope you will explore it carefully. It is our response to those people who speak continuously of expanding export markets overseas and who believe that all of our farm policies should be devised simply to wedge our way into more export positions about the world.

We believe that this concept would spread the burden of expanding exports to all the people of this country, where it belongs, rather than to have our producers paying the whole bill through the low price pattern that we've experienced in recent years.

We suggest that we simply phase out the farmer-owned reserve for the simple reason that it has too many little tricks and gadgets attached. The entry levels, the departure levels, the triggers that open it or close it are such that most farmers don't know what's going on in that program. We'd like to see it simply phased out. You've had authority in the Commodity Credit Corporation Charter Act for many years that authorizes the Secretary of Agriculture to extend the loan at any time he does not want to take over a commodity at maturity. He simply can make the offer to extend the loan; the producer applies for it; he is paid for storage for holding the grain on the farm, or the cotton back, as you please, and it's a nice, simple way to do business. Farmers understand it and the Secretary and the Board of Directors of Commodity Credit Corporation can use it without any complication.

We, of course, would continue authority for the Secretary to determine what may be needed in each of these major commodities and require diversion of acreage that is not needed in production to a conserving use. We would give up, in exchange for these reasonable low rate levels, the so-called diversion payments. The only payments we advocate is a modest payment to assist the producer in seeding the set-aside acres in a conserving use or otherwise protecting that acreage from erosion and, of course, to keep the weeds [illegible] of it.

We would like to see this Congress consider and review very carefully eligibility of the participants coming into the farm program. Said rather bluntly, we would like to see you exclude from eligibility to participate in the Commodity Loan Program the absentee partnerships, syndicates, and large corporations when their principal source of income is other than farming. And we have every confidence that the elected ASC farmer committeemen at the county level can administer this provision and can do a good job with it. We think it is high time that such costs as you may incur in running a farm program be expended in the interests of the survival of the midrange, individual, owner/operator style of farming that has, quite frankly, been attractive to other countries all over the world, and we are about to lose it if we do not reverse our current policies in which we're, frankly, forcing such low price levels on them that they have not a chance in the world to pay off the high interest rate loans and survive in farming, and I know that many of you are quite familiar with this.

It is more than just a problem in a few scattered congressional districts. It is a problem running throughout the farming areas of the United States, and we have to ask you for help if the ranchers and farmers of that size, and of that style, and of such importance to this country are going to survive and be with us very much longer.

I thank you for your time.

[The prepared statement of Mr. Frazier appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Frazier. If you would kindly remain there with the other witnesses, and then we will question at the conclusion of the statements.

Mr. Stencel.

STATEMENT OF JOHN STENCEL, PRESIDENT, ROCKY MOUNTAIN FARMERS UNION, AND MEMBER OF THE NATIONAL BOARD, REPRESENTING THE NATIONAL FARMERS UNION, ACCOMPANIED BY BOB DENMAN

Mr. STENCEL. Thank you, Mr. Chairman. I am John Stencel, president of Rocky Mountain Farmers Union, a division of the national organization. Members of the committee, I'd like to place before you a longer and more detailed statement on behalf of the National Farmers Union for the record. It includes all of the items that were discussed at our recent 83d annual convention. It deals with the farm program, the credit situation, and all of the other areas, and we include them for the record for all of you to take a much closer look at.

In my brief remarks, I'd like to begin by saying that the same administration which was mining the waters of Nicaragua a year ago is now planting land mines in American agriculture. The Reagan/Stockman farm bill, entitled the Agricultural Adjustment Act of 1985, is filled with land mines. Yes, there may be plenty of window dressing and plenty of smoke screens, but when those are brushed aside, the land mines are the remaining reality. Let me identify some of them.

All of the provisions of permanent law authorizing supply management and mandatory price support floors would be repealed. The farmer-held grain reserve would be abolished. Voluntary acreage reduction programs would end after the 1988 crop year. Target prices would continue temporarily on feed grains, wheat, cotton and rice, but eventually would drop to the Commodity Credit loan level, so that there would be no payments.

Finally, and worst of all, beginning in 1986, crop loan and target prices would be tied to the moving average of market prices for the preceding 3 years.

It is proposed that those loan levels would start at 90 percent of the 3-year average market prices and be reduced by 5 percent a year, so that they would drop to 75 percent of the average market price in the 4th year.

The whole system would be pointed downward. Soybean prices are 14 percent lower than they were 3 years ago, and wheat prices are down 15 percent, and corn prices are down 28 percent.

The skids would be greased. There would be no place for prices to go but down.

This is being proposed at a time when the only hope for American agriculture lies in better prices and income. The great emphasis in the past month has been on emergency credit, and that was necessary and proper. We still need some emergency help—at least, advance payments from the Commodity Credit Corporation. But what we have is an income crisis first and a credit crisis second. There would not be any credit crisis if we had been receiving fair prices for our commodities the past several years.

The net effect of the administration farm bill will be to aggravate the difficulties of agriculture. There is nothing in the legislation which will resolve any problems. The medicine is so drastic that the victims can never recover.

The question facing the American people is whether society should stand by while the family farm structure of agriculture is dismantled. We are confident that most Americans recognize that family farmers have served the Nation well.

If that is the consensus across the Nation and here in Congress, then the question becomes, what is the best way to sustain that very efficient and productive family-scale system of farming?

There are three principal options: to continue present farm programs without much change, or any change; second, to accept the Reagan approach, which will hasten the departure of full-time, commercial family farmers; and third, to move toward a system which will assure farm prices which are fair in terms of the costs of production and living, with the benefits geared to the family farm levels of production.

The first two options are unacceptable. The first will continue the damage being suffered in agriculture, and the second will only aggravate it.

The American people have a right to know, before any decisions are made, what the outcome would be of following any particular line of strategy.

Farmers Union's recent national convention laid down a challenge for all the cards to be placed on the table; for a dollar-for-dollar comparison to be made, by any objective source, of the probable results of the farm proposals now being discussed. Until such data is available and widely distributed and understood, it would be a mistake for Congress to pass any farm legislation. A short-term extension of the 1981 act would result from a complete deadlock between Congress and the executive branch, but that would not stop the hemorrhaging now going on in rural America.

If the best that can be done is just to mark time, then it would be wiser to just let the old permanent statutes come back into force. Virtually every supported commodity would be better off under the old laws, while new efforts are made for a workable farm program.

In our longer statement, which I have submitted, many of the recommendations of the Farmers Union's 1985 convention are presented in some detail. We are convinced that a better and more effective program can be operated at only a fraction of the cost of the programs in recent years. As you study this set of recommendations you will see that we make no case for open-ended programs. We urge that the programs be designed to help assure the retention of the middle-scale farm operators who have been, and still are, the backbone of American agriculture.

Can we seize the opportunity to put together some new concepts, some new ideas, a new farm program? We reject, in very clear and forthright terms, the Reagan/Stockman proposals to take American farmers down a dead end street. Constructive leadership requires that we do more than expose bad policies and dreadful proposals. We invite you to look thoughtfully at the Farmers Union policy positions. They are the result of careful judgment by people who know the farm crisis first-hand.

We thank you for this opportunity to reflect their views here today, and if there are any questions later, I'd be happy to answer them. Thank you, Mr. Chairman.

[The prepared statement of Mr. Stencel appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Stencel.

Dr. Guither.

STATEMENT OF HAROLD D. GUITHER, PROFESSOR OF AGRICULTURAL POLICY, UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN, REPRESENTING THE NATIONAL PUBLIC POLICY EDUCATION COMMITTEE

Mr. GUITHER. Thank you, Mr. Chairman. It's an honor and a privilege to share with you and your committee some of the views of farmers in 17 States regarding some of the important aspects of fiscal and agricultural and trade policy that you're going to be considering this year.

I am Harold Guither, professor of agricultural policy at the University of Illinois at Champaign-Urbana.

The States that participated in our survey, I think, would be of very much interest to you because they are very key States in the issues that you're going to be considering. These include Texas, South Carolina, Oklahoma, Florida, Alabama in the South; in the West, Washington and Idaho; in the North Central States, Illinois, Indiana, Kansas, Michigan, Minnesota, Nebraska, Ohio, South Dakota, and Wisconsin; and in the East, Maryland.

Each of you has received a copy of the complete report, which I will leave for the record. I want to hit just some of the highlights this morning. We tried to select a representative sample of farmers in each State, with the assistance of the Crop Reporting Service, and all together over 8,000 farmers responded in these 17 States. The 17 States actually produced about half of the total gross production of agricultural commodities in 1982.

The issue on which farmers were most in agreement was that Federal deficits should be reduced to reduce interest rates, and in every State a majority of farmers agreed that the budget should be balanced, and that if doing so required a substantial cut in Government programs, they would be willing to also see a reduction in farm price support programs.

Farmers are divided, however, on whether they want mandatory or voluntary programs. In 12 of the 17 States the most frequent response, however, was to go to a voluntary program such as we have had. If a referendum were held today in regard to this question of a mandatory program, the responses that we received would indicate that a majority of farmers would not vote to eliminate price and income support programs. However, the combined responses for those who would like to keep the voluntary programs and those who would like to eliminate all set-aside price support and storage programs would suggest that a referendum to establish a Mandatory Acreage Control Program would likely fail if either a simple majority or two-thirds majority were required for passage.

On target prices and deficiency payments, target prices and deficiency payments were popular with farmers. In 9 of the 17 States a majority would like to see them continue.

We also found that in setting loan rates—farmers were asked whether they agreed or disagreed with the statement that loan rates for price-supported commodities should be based on a percentage of the average market price for the past 3 to 5 years. And in 10 of the 17 States, a majority of the farmers agreed with this statement.

There was an interest in more benefits for smaller farms. In 15 of the 17 States, a higher percentage of farmers agreed than disagreed with the proposition that future farm programs should be changed to give the most benefits to small-scale farmers with gross sales of less than $40,000.

On payment limitations, as we know, the 1981 act set a limit of $50,000. Respondents were asked what payment limitation policy they preferred, and in 13 of 17 States they suggested that we make no change.

On making major program changes, farmers surveyed were asked to choose between a low safety net loan and a Target Price Program, and a farm income insurance plan. And they preferred the low safety net target price and loan rate.

On the question of soil conservation and price support, we found that farmers preferred—in fact, were quite willing—to have a requirement that conservation plans be followed on farms to qualify for price support benefits. We had a majority of farmers, from 57 to 71 percent in every State asking for this proposal.

The farmer-owned reserve closely related to loan rates and target prices. In 16 of 17 States in which the survey was conducted, more farmers wanted to see the farmer-owned reserve continued than discontinued. But they also suggested that a limit be placed based on a percentage of the previous year's use.

Farmers strongly favored increased agricultural exports.

In summary, farmers would like to continue volunteer programs. In most States, the majority want to see target prices and deficiency payments continued. In most States, the majority would favor setting loan rates based on a percentage of a 3- to 5-year average market price. A majority would favor a requirement that farmers follow recommended soil conservation practices to qualify for price support benefits. If budget limits require changes in price support, they would prefer a lower loan level and Target Price Program to an Income Insurance Program. Farmers generally support an effort to provide greater benefits to farmers with lower gross sales.

There were many other issues covered in the report, which you may see for the record. I appreciate the opportunity to be with you and to discuss some of the findings of these farmers in this survey. Thank you.

[The prepared statement of Mr. Guither appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much. We appreciate your being here.

Mr. Frederick, we'll be happy to hear from you at this time, sir.

STATEMENT OF ROBERT M. FREDERICK, LEGISLATIVE DIRECTOR, NATIONAL GRANGE

Mr. **Frederick**. Thank you, Mr. Chairman. I'm sorry I was late. We had, of course, anticipated testifying tomorrow, and then at the last minute we were asked to come this morning.

I will make some oral remarks and hopefully will be permitted to submit a full statement at a later date.

The **Chairman**. That will be agreeable. We appreciate your cooperation.

Let me repeat that we had to reshuffle for reasons beyond our control, but we very much appreciate your cooperation.

Mr. **Frederick**. I understand there is a press announcement at 11 o'clock on farm credit, so perhaps the morning won't be totally lost.

The **Chairman**. I hope that we had something to do with the 11 o'clock announcement.

Mr. **Frederick**. Very good, sir.

I am Robert Frederick, legislative director of the National Grange, with headquarters at 1616 H Street, NW., Washington, DC. We are a general farm organization representing approximately 400,000 members in 41 States. Since its beginning in 1867, the Grange has been deeply involved in agriculture policy and its impact on the social-economic conditions in rural America.

I apologize that our national master, Ed Andersen, can't be with us; due to some previous commitments he was unable to participate in the hearing today but looks forward to forthcoming hearings and working with this committee in the development of a sound farm program.

I want to commend you, Mr. Chairman, and the subcommittee chairmen, for setting up what I feel is a set of ambitious hearings, both here in Washington and in the field. Field hearings are especially important and Grange members throughout the States will be making presentations at these hearings.

Over the years, we have addressed farm policy in terms of farm programs. In the 17 years that I have been in Washington, I think this is the fifth or sixth general farm bill that I have participated in; but we have had a farm bill of some kind every year of those 17 years. And we have moved from crisis to crisis on most commodities. The Grange, along with other farm organizations, has followed the trend of going from crisis to crisis, but yet I do not believe we have addressed what we feel has to be addressed before we can come up with workable farm programs, and that is a national food and agriculture policy for the United States, which I do not believe we have addressed since the early 1930's.

The first AA Act and the legislation that followed was, I think, policy-oriented. It was done with a specific purpose in mind—a national policy. Since that time I do not believe that we have addressed the broad, and more important, issue of national food and agriculture policy. We further confuse the issue by using the words "farm programs" as national food and agriculture policy. Gentlemen, that is not what farm programs are. Farm programs are only a part and should be directed toward obtaining the objectives of a national food and agriculture policy.

In our judgment, if we define the objectives we wish to achieve through our food and agriculture policy, the problems confronting agriculture economy can then be addressed and more easily solved. We must answer the questions, What are the objectives of our food and agriculture policy? and, What role do we want farm programs to play in reaching those objectives?

I can postulate a wide range of policy objectives, but the decision as to what objectives we want to achieve, in fact, are reserved for Congress and the administration. For instance, is our objective to preserve and expand the U.S. share of world markets for agriculture products? Or is our objective to expand the value of U.S. farm exports? Is our objective to improve the currently disastrous state of real net farm income? Or is our objective to reduce the U.S. Treasury exposure on farm program costs? Or is our objective to remedy the record $123 billion U.S. balance of payments deficit experienced in 1984? Is our objective to continue to supply an abundance of low-cost food that only required consumers to spend 15.9

percent—which includes that spent away from home—of their disposable income in 1984 for food? Or is our objective to stabilize a badly deteriorated and still deteriorating economic situation throughout nonmetropolitan America?

Is our objective to adopt a posture that will allow the debtor nations such as Brazil, Mexico, and Argentina to repay their loans to U.S. banks?

The list could go on and on, but every time I pose these questions—and I have posed them at every symposium and conference that I have attended in the last 2 years on the 1985 farm bill—I hear answers like yes and all of the above.

The problem with such responses is that the right objectives listed are not mutually exclusive, nor are they entirely compatible. Therefore, someone at some time must decide which of these or other objectives are most crucial.

I have seen no real evidence on the issue of objectives and priorities among those having been or being addressed. I hope these hearings and others to follow, Mr. Chairman, will give this committee and the Nation an opportunity to address the objectives of the food and agriculture policy.

I have not read the latest report, but the last Harris poll taken shows that there is tremendous support throughout the United States in urban areas for agriculture and agricultural programs and support for American farmers because they see what is happening to a vital segment of U.S. society, rural America.

The bill that was sent to Congress by the administration is driven by one objective, which is the impact of farm programs on the budget with a total disregard to how it affects farm income.

There are two other objectives that I listed that are in direct conflict in the AA Act of 1985. One is our concern with export sales directed toward protecting and enlarging the U.S. share of the export market, and, two, is it concerned with increasing the value of farm export sales in order to enhance farm income and reduce the record 1984 trade deficit of $123 billion? These are two very different and—in today's environment—potentially incompatible objectives.

If our concern is directed toward market share with sales prices being of only secondary importance, we must be prepared to face the reality that areas such as Argentina have no choice but to dramatically expand agricultural export sales in order to meet payment schedules on their overseas debt.

I do not intend to complicate the task and the tremendous problems ahead of this committee and Congress, but I think if we address the objectives of our food and agricultural policy, what we expect as citizens of our agricultural industry, then adopting and drafting farm programs to meet these objectives will fall in line rather quickly.

Just a few other comments, and I would like to ask that the forthcoming Grange statement—in the next day or two—will be inserted in the record. We do have policy positions that were adopted at our last annual meeting in November addressing the issues of commodity programs, conservation, farm credit, research policy, all directed toward a food and agriculture policy. The Grange adopted policies that call for a targeting of program benefits because we think that targeting is long overdue.

We first suggested targeting as early as 1978 when we called for a variable deficiency payment program. That was not very popular with the USDA at that time. Targeting is still not very popular, but I think when we are faced with limited bucks to fund farm programs, we have to be careful and selective where those benefits go. I, for one, am not interested in helping the John Curry's of the world, and I do not think the membership of the National Grange is interested in supporting farmers who over-leverage to take advantage of farm programs for only one reason, and that one was greed.

We believe that our national food and agriculture policy should contain farm programs that target program benefits toward that class of farmer that falls into the gross sales category of $40,000 to $200,000 gross sales. Those certainly aren't hard numbers and could be adjusted, but the important point is that farm program benefits should be targeted toward family-owned and/or operated farms, with the owner/operator engaged full-time in farming.

I agree with others who have made the statement that the real problems facing American agriculture will not and cannot be addressed in the farm bill. I refer to the macroeconomic factors in the world—the high value of the dollar, interest rates, Third World debt—that have fostered the rapid decline in U.S. agricultural exports. The Secretary of Agriculture has said that of the $9 billion drop in exports in the past few years, $5 billion to $6 billion of that is directly related to the high value of the dollar. We as a Nation have to address the Federal deficit. We have to address other fiscal and monetary policies that lead to a balanced budget, a soft landing of the dollar, a downward slide—if you will—so that we can be competitive again in world markets.

I get a little confused and somewhat upset when I attend sessions and have the Department of Agriculture and others come forth and emphasize that the major reason that we are not competitive in world markets is the level of the U.S. loan rate. They use a cause and effect relationship. The loan rate was here; therefore, the reason this happened was because of the level of the U.S. loan rate—never looking at nor discussing other factors at work in the world economy that cause greater changes in world market shares other than the level of the U.S. loan rate. I think it is a misuse of the intelligence of the economists at USDA to use only that type of cause and effect relationship argument.

There are many factors, social and economic, in foreign countries which I believe we must study and understand to enable us to determine what drives agricultural production in those countries. It is not necessarily the level of U.S. loans. It is not necessarily the amount of production we curtail. They have reasons of their own that are driving their agricultural production, and they are not necessarily related to anything that we do in our farm programs. There are internal factors that cause them to make the decisions they make.

We as a nation have never known starvation. Other world countries have, and they are not going to curtail their self-sufficiency or a certain percentage of self-sufficiency so that U.S. farmers can obtain an increasing share of their market. We have to understand what drives agriculture in our competitive countries before we dismantle our own farm programs as an integral part of our food and agriculture policy.

One of the criticisms that we have of the AA Act of 1985 is that there is very little emphasis on exports. A lot of rhetoric, but not much assistance. I am glad to see, Mr. Chairman, that other bills introduced put greater emphasis on increasing agricultural exports. If we are going to ask the American farmer to give up a certain amount of security on the income side because of a reduction in loans, doing away with or reducing target price protection, et cetera, we have to do more to assure them that there is export market assistance. We cannot expect farmers to support a market-oriented policy if the market is not there to orient toward. We need a strong export section in the forthcoming farm bill if we are to move toward market-oriented farm programs.

I think our own Government has to remove impediments to agricultural exports. Cargo preference is a case in point. We believe that commercial agriculture credit programs should not be subject to cargo preference requirements. We would support it if it is in the national interest, to maintain a strong maritime U.S. flag, as well as other measures to bring that about and not saddle it on the back of the American farmers.

The 5 percent origination fee on CCC credit that is proposed in the budget sent to Congress by this administration is an impediment against U.S. agricultural exports rather than an assistance. In effect, it is an export tax.

Other actions of our Government have interfered with agricultural exports, and as long as there are public benefits derived from public policy that penalizes U.S. agriculture, we believe the public should share in that cost to U.S. farmers. We do not know, really, how much influence the State Department and the National Security Council have over who we sell to and how much we sell. They certainly may not be to the benefit of a market-oriented agriculture, and you could build some scenarios, Mr. Chairman.

Over a year ago the rhetoric between the United States and the EEC was very heavy. We were shouting back and forth across the Atlantic in loud voices, and then a delegation headed by Secretary of State George Shultz met with EEC officials. The rhetoric subsided, the shouting ceased; and maybe it was just a coincidence, but that was about the same time we were trying to get missiles placed in Western Europe. I do not know what decisions were made or what caused the rhetoric to be lowered, but I can speculate.

We worked long and hard to open the markets to Japan for U.S. citrus and beef, but there came a time when the National Security Council, so I am told, said "that is enough." By coincidence, that was about the same time we were trying to encourage the Japanese Government to increase their defense budget. Actions of our own Government at times seem to impede agricultural exports. U.S. farmers should not be called on to pay the entire cost of U.S. foreign policy decisions that are in our national interests.

I appreciate this opportunity, Mr. Chairman. We especially look forward to field hearings and the commodity hearings that follow.

As in the past, the grange will be submitting either oral testimony or statements in connection with those hearings.

I apologize for such a rambling statement. It was done on short notice. I appreciate the opportunity to present this general statement in person and will, with your permission, submit a more detailed statement for the record.

I will be glad to try to respond to any questions you or members of the committee may have. Thank you.

The **CHAIRMAN**. Thank you very much, sir. If you'll kindly bear with us while we hear one more witness, and possibly a Member of Congress. We appreciate your being here.

I had a call that the majority whip, our distinguished colleague, Mr. Foley, is meeting with the Speaker and the leadership. He wanted to be here to introduce the next witness. Rather than prolong the meeting, I will do the honors and introduce Mr. Jim Kittrick of Pullman, WA, who is a constituent of our distinguished colleague and vice chairman, Mr. Foley. Regretfully he can't be here, but on his behalf and on our behalf, we welcome you, Mr. Kittrick, and we'll hear from you at this time.

STATEMENT OF JAMES A. KITTRICK, PROFESSOR OF SOILS, WASHINGTON STATE UNIVERSITY, REPRESENTING THE SIERRA CLUB, ACCOMPANIED BY DANIEL WEISS

Mr. **KITTRICK**. Thank you very much, Mr. Chairman, committee members. My name is Jim Kittrick. I am a soils scientist interested, personally and professionally, in soil conservation issues. Today I am a citizen presenting Sierra Club proposals for this farm bill, proposals that have to do with soil erosion.

I have been listening to previous speakers and I don't envy the problems that you folks have to come to grips with—the debris from farm debt, where should price support payments be—those are real toughies, and I'm glad that I'm not going to try to tell you how to deal with those. But in the long run, actually, there's a problem that's even worse, and that has to do with soil erosion.

That's the bad news. The good news is that the 1985 farm bill offers, we think, a very good opportunity to make at least a first step in dealing with severe erosion problems.

To set the stage, the general problem is this. The soils of our Nation are a resource that, for its well-being, our Nation needs. It needs it tomorrow, it needs it in future generations. It needs it preserved. But the thing is, those resources are in private hands, and frequently economic conditions make it necessary for the private owners of that resource to use it in such a way that it is really not in the best public interests. So how do you solve that dilemma of public interest versus private ownership? I think there are some ways to get at that, and the details of these proposals are listed in this booklet, which I would like to have entered into the record. I'll just go over them very briefly today.

The **CHAIRMAN**. Do we have a copy of your booklet for our files?

Mr. **KITTRICK**. Yes.

First, my map—Mr. Chairman, after that nice introduction, I hate to point out that one of the worst erosion States on our map is the State of Texas. This is where the most erosion occurs, in that

State. We have purple, yellow, and blue in the heartland of America, really in our best soils.

Some of our best soils also are in a little chunk of the State of Washington, part of Tom Foley's district and the area in which I reside; it's called Palouse. It's a very fertile area, but actually it could be 25 percent more fertile if it weren't for the soil erosion that's already taken place. We grow soft white wheat there, and our crop yields are high, but so is erosion. For every bushel of wheat we produce, we send off in erosion about 5½ bushels of soil.

So I'm not proud of that record, and I'm not particularly proud of the pictures that you have in the back of my testimony indicating what some of the typical erosion in my area looks like.

I think the key has to do with economic incentives, and this committee last year did excellent work in including some provisions that we would wholeheartedly support this year; and that is, for example, the sodbuster provision, the conservation reserve. Along with the sodbuster, we'd suggest the inclusion of a swampbuster. But the point of it is, it just doesn't make sense to provide public money, economic incentives, for farmers to do some things that are against the public good, and that is grow crops on highly erosive lands. Crops from those lands ought to be ineligible for price supports.

With regard to the conservation reserve, it does make good sense to pay farmers to take highly-erosive lands out of more erosive crops and put them into things like grass or timber, where the erosion is much less. This is in the public interest, and the farmer should be paid to do this. It would have a benefit of decreasing crop production somewhat, as would the sodbuster part; that would be good for farm income, and also there would be direct payments to farmers. That would also be good for farm income. But that's, in our opinion, secondary.

The main thing is to serve the public interest in decreasing erosion. We would recommend long-term conservation reserves so the farmers can make decent plans. That's about 10 years. We'd recommend 30 million acres at a cost of somewhere, maybe, between half a billion and $1 billion. A lot of money, but maybe you ought to compare it to price supports, which are quite a bit more.

Finally, in the long term, we think that erosion control should be made a prerequisite of participation in Federal programs.

So what would these things do? They would help increase farm income directly and indirectly through cutting production, at least somewhat. They decrease erosion approximately 25 percent and increase water quality.

And my last remark, I think, on this subject should be that—well, let's put it this way. It has to do with how we should look at this. And the way we should not look at this is as a handout; that is frequently the way the public views price supports. What we're talking about here is not a handout for farmers; it's paying farmers to do things that the public wants and needs done. And we should, incidentally, stop paying them for doing some things that the public does not want done.

So I think that with some of these proposals we can help society and we can help the farmers, as well.

I thank you gentlemen for permitting me to testify today.

[The prepared statement of Mr. Kittrick appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much, sir. We appreciate having you here.

We will proceed with questions. Congressman Tony Hall is on the way, and on his arrival we will interrupt our questioning to hear him.

I have two questions and I'll get them out of the way.

Mr. Kittrick, regarding the erosion problem, how much is related to agricultural activity, and have you separated that from nonagricultural activity?

Mr. **Kittrick**. That's a good point. I believe the figures show that sedimentation in our waterways is only about half agriculture, so that what we would be proposing would only be a step in what we feel is the right direction. It wouldn't decrease all of agricultural erosion, and it wouldn't address the other erosion sources either.

The **Chairman**. I assume that your Sierra Club is addressing all of the issues. Are you doing the same thing in other committees with other areas so that we may address the total issue?

Mr. **Kittrick**. I think I'll defer to my colleague, Daniel Weiss, on that.

The **Chairman**. Fine. Mr. Weiss.

Mr. **Weiss**. Mr. Chairman, yes, we are. We're working with the House Public Works Committee to develop a 9-point source pollution control program to control runoff from urban, agricultural, and other sources. But we believe that the 1985 farm bill presents the greatest opportunity to take a big chunk out of our agricultural runoff, which is probably our single greatest source of untreated water pollution in the country today. For instance, every year enough sediment runs off our lands, from our farmlands, to cover the State of Indiana an inch deep in soil. So we think that the farm bill and agriculture is where we can make the biggest difference in runoff water pollution.

The **Chairman**. Well, I have no doubt about that. My concern is that we don't want it to be said that agriculture is ruining the topsoil of America. So you say that about half of the sediment in the rivers and lakes is from agriculture, and the other half from other sources?

Mr. **Weiss**. At least half.

The **Chairman**. We had legislation addressing that issue, but unfortunately, it died in the Senate at the end of the last session. We still have to look at the technical aspects of whether or not to incorporate it into the farm bill. We may load it too much and get nothing, so that is a legislative decision we'll have to make in that area.

The other question relating to erosion is when you say agriculture are you speaking solely of agricultural activity, or are you incorporating in agriculture nonfarm activity? What's the percentage there?

Mr. **Weiss**. I think the greatest source of erosion on our agricultural lands is from crops like wheat and corn, the two primary crops. One of the things that the conservation reserve would do would be to convert these highly erodible lands into a more sustainable use, such as pasture or timber, which produces income for the farmer but is much less erosive.

The CHAIRMAN. That was my question. On land where there is timber, grasslands, ranching, or where you have winter wheat or you run cattle on it, et cetera, do you have a differential on that as a part of the program?

Mr. WEISS. Mr. Chairman, our study that we'll submit for the record found that about half of erosion is caused by little more than a 10th of the land. So what we need to do is get those lands into some more sustainable use than they're in now. About half of them are in wheat; about 25 percent of them are planted in corn. We need to convert those lands into pasture, timber, grasslands, other wildlife cover——

The CHAIRMAN. Thank you very much.

We have our distinguished colleague, Mr. Hall, who asked to appear and make a statement. We will suspend the questions and hear from you at this time, Tony.

STATEMENT OF HON. TONY P. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. HALL. Thank you, Mr. Chairman, and members of this committee. I appreciate this opportunity to come before you.

I am very involved, as you may or may not know, in the Hunger Committee; I'm a member of the Select Committee on Hunger, and I am involved with the Task Force on International Hunger. As a matter of fact, I'm its chairman.

Today what I'd like to do very briefly is to present some of the proposals that I've been working on with members of the Select Committee on Hunger concerning some ideas that I have relative to not only hunger, but Public Law 480, both I and II, and section 416.

Mr. Chairman, when we look at these issues surrounding food aid, we are confronted by a number of well-known problems. These problems, as you know, are paradoxes to many of us. The first paradox is that the U.S. Government is storing, as we all know, huge quantities of surplus agricultural commodities at significant cost to the taxpayer while at the same time tens of millions of people that are malnourished in 25 to 28 countries, specifically in Africa, are in desperate need of food.

The second paradox is that although American farmers are extremely productive, a great many of them, as you know, are in terrible financial straits. Meanwhile, potentially lucrative Third World markets are not being developed.

And there is a third paradox relevant to food aid, and almost everybody involved in our aid program acknowledges the truth of the saying that you can give a man a fish and you feed him for a day, but you teach him how to fish and you feed him for a lifetime. Our donated food aid could be really effective in promoting long-run development through such means as food for work programs and other kinds of programs; yet, most of what we do with our donated food aid is simply day-to-day feeding, giving a man a fish.

Mr. Chairman, to a large extent Congress has already provided the legislative authority for addressing these problems. However, the means Congress has provided are not being adequately used. For example, take the problem of huge surpluses coexisting with starvation. Congress has authorized under the Section 416 Program the donation of American surplus dairy products and wheat to combat hunger overseas, yet USDA has not shipped a single bushel of wheat under this authority. This is despite the fact that the Government is holding some 6.7 million tons of uncommitted surplus wheat at an annual storage cost of about $87 million.

What we should do in any case is to require that some of our huge surpluses be used to combat starvation in Africa and elsewhere, and I will propose that 5 percent of uncommitted CCC stocks of wheat, rice, corn, sorghum, oil seeds, and dairy products be channeled through private charitable agencies in the World Food Program to combat hunger overseas. This 5-percent minimum would not apply if these food aid agencies do not make sufficient requests. I also believe that we should continue to hold part of our surplus wheat in the Food Security Wheat Reserve.

With regard to the second problem, the challenge of easing the plight of American farmers, we face an unprecedented need to expand farm export markets. The Public Law 480, Title I Program has historically been a successful market development tool, and I would propose that we expand this program, allowing food sales to poor countries for local currency. The proceeds would be used to help develop these countries' economies and to expand markets for U.S. agriculture commodities.

As I mentioned, we also need to improve the long-run impact of our food aid donation programs to move beyond simply feeding people. For example, many of the children we are feeding go on to die of easily preventable diseases, such as whooping cough, or to be crippled by polio. For very little money we can immunize children when they come in to the feeding centers. With our new technology, lifelong immunity can be provided with 50 cents' worth of vaccines. And I would propose that, under this legislation, that we set a target of annually immunizing at least 1 in 8 of the 25 million children a year who participate in Public Law 480, Title II: Nutrition Programs. This would save hundreds of thousands of human lives and dramatically increase economic productivity.

Besides immunization, another missed opportunity in our Food Aid Program involves a scarcity of food for work projects. These projects use food as wages to build the infrastructure needed for long-run development. Farm to market roads, schools, and irrigation works—to make such projects a reality, however, requires not only food but also nonfood inputs such as tools and building materials.

We should provide the resources for immunization, food for work projects, and similar improvements. And to do this, I would propose that we increase the volume of the Public Law 480, Title II Program, and that U.S. private voluntary organizations be given discretion to sell limited amounts of the additional food in the recipient country and use the proceeds for nonfood inputs to their Food Aid Programs.

If members of the committee would like more detailed outlines of these food aid proposals, we do have a handout that we can distribute. This bill has not been introduced yet; it's still in preliminary stages. It's certainly not drafted or written in concrete, and I would welcome the suggestions of the very distinguished members of this committee.

I thank you for the chance to be here and to address this most important problem.

The **Chairman**. Thank you very much. We appreciate the work you are doing individually on the Hunger Committee, and we look forward to continued good working relationships with you and that committee, Mr. Hall.

Mr. **Hall**. Thank you.

The **Chairman**. We'll continue the questions——

Mr. **Emerson**. Mr. Chairman?

The **Chairman**. Mr. Emerson?

Mr. **Emerson**. Mr. Chairman, could I just have a moment's dialog with the gentleman from Ohio?

Tony, you indicated that we're not using American grain adequately in the Overseas Hunger Programs. My understanding was—of course, it's not law yet—the bill that passed the House for African famine relief that was tied into the farm credit package, I think it was stipulated in that bill that all those commodities had to be U.S. grain, somewhere in the neighborhood of $800 million worth.

Mr. **Hall**. It's my understanding that that is not surplus grain.

Mr. **Emerson**. OK. And second, about American wheat being used over there. When we reported to the President—when the Hunger Committee reported to the President, when we returned from Ethiopia—he had us back down a couple of days later and, in our presence, signed an order releasing, I think it was 300,000 metric tons of grain which I thought was wheat, from the strategic reserve for African hunger relief. Is that not your understanding?

Mr. **Hall**. That is correct, Mr. Emerson. As you remember, I also was in Ethiopia before your trip and Mickey Leland's trip went over there, and when I came back, along with you and Senator Dole, asked for that release because the President had the authority, as a result of the 1980 law putting that wheat reserve—it was about 4 million tons at that time—aside, never to this particular time had any of that ever been used. And he had the right, without us—without the legislative body, to release 300,000 tons. We asked him to, and he did. I'm very thankful for that.

Mr. **Emerson**. So some American grain, some surplus grain is being used in Africa at this time?

Mr. **Hall**. At this particular time of that wheat reserve, 300,000 tons, yes; but compared to what we have in stock——

Mr. **Emerson**. I understand. Thank you.

Mr. **Hall**. Thank you.

The **Chairman**. Mr. Huckaby, do you have any questions?

Mr. **Huckaby**. Thank you, Mr. Chairman.

Dr. Kittrick, your emphasis seemed to be on taking lands out of production that are highly erosive. I was somewhat disappointed with your approach. What's happened to the old-time methods of growing topsoil where we used barnyard manure, wood chips, corn fodder, wheat stubble, methods of deep tillage through the Graham-type chisel plow instead of using a mold board plow and a disc, to actually grow topsoil? It's been demonstrated on highly erodible lands that if you have rich, organic, alive soil you can actually grow an inch of topsoil a year instead of just saying, you know, we've got to quit doing it. Why can't we take the approach of some demonstration projects to show the farmer that he can make money by doing this?

Mr. **Kittrick**. I would say there is a movement afoot by some farmers to do just that, but it's difficult to make out economically doing that. I think individual farmers can, but I have my doubts as to whether agriculture across the United States could, for example, get their nitrogen from legumes and still make money.

Mr. **Huckaby**. I'm not suggesting that you totally abandon chemical fertilizers, et cetera, for total organic farming. But I'm suggesting that there are certain areas where you can use legumes as a cover crop to be plowed under, and that, I think, is a bonus——

Mr. **Kittrick**. There's nothing wrong with that, sir. It still works.

Mr. **Huckaby**. But yet we never read it in the literature any more, we never see it encouraged, we never hear it in testimony. All we hear is that we're losing 5 or 10 tons per acre per year in Indiana or Louisiana, and we've got to stop farming, rather than an emphasis of what we can do about it—not only to quit losing, but to create topsoil.

Mr. **Kittrick**. I think we should encourage farmers to do just that, and I think it will take some money to do that. We shouldn't pay any more money than it takes to get the results that we want, but that's what we should do.

Mr. **Weiss**. Mr. Huckaby, I might add that the lands that we're talking about setting aside are lands, in many cases, which never should have been farmed in the first place, lands that lose 20, 30, 40 tons an acre of soil a year. And no matter how much you can do with these other techniques, you're not going to be able to replace that amount of soil. As in the testimony here, you can see there's a picture of a slope in the Palouse region that loses 300 tons of soil a year. We're not going to be able to replace that. I think that your suggestion is good in areas where the soil loss is 5, 6, 7 tons per acre per year; then we can do enough to regenerate what we need to keep that soil productive. But where we're losing 15, 20, 30 tons of soil a year, I just don't see that as being adequate to be able to replace what we're losing.

Mr. **Huckaby**. Thank you.

If I might change the subject, the Washington Post reported this morning that the European Community is now prepared and ready to enter into another round of GATT discussions, which I believe they propose to be called the Brussels round. They also said—at least, the paper quoted them as saying—that they were willing to discuss agriculture, but their present agriculture policies were nonnegotiable. And, as you know, the Common Market has been subsidizing to the tune of approximately $20 billion a year, dumping their surpluses abroad at whatever the market will bear at the time, and quite often capturing markets that have historically been ours or new markets that could be ours.

Assuming the dollar continues to decline so that we might be able to, within a year or so, get back into a competitive arena, it appears that we are still going to have what I consider the unfair competition from the Common Market countries that export.

I've had legislation laying around for about 3 years now which we've introduced again that simply says that where there's unfair competition, where a country is selling abroad for less than what they sell at home, it's capturing markets that have been ours or that we have the opportunity to—and I could name numerous examples of transactions we've lost this year—this Government will use its CCC stocks to beat that unfair competition, whatever it takes.

I would like for you gentlemen to comment on whether or not you would be in favor of this approach or be opposed to it, to be included in the 1985 farm bill, if any of you would care to.

Mr. **GUITHER**. Mr. Huckaby, in our survey of farmers we raised this question about needing subsidies where our competitors are also subsidizing their exports. And we found that farmers felt that, if necessary, they would favor the idea of trying to take measures that would counteract the effects of subsidizing our competitors.

Mr. **FRAZIER**. Mr. Huckaby, if I may comment quickly. I think that it's a fine idea, and there are times when you do have stocks in hand in CCC in which you could make those moves. And I believe the Egyptian flour sale illustrated one little quick spot action that demonstrated some determination to hold onto foreign markets.

The authority should be there. I think they could do more of this with the stocks they have now if they were not so overly imbued with all of the responsibilities to deal through the usual channels of trade and a few more things that tie it all up. So I think the administration could move along these lines if they wished, even without more legislation.

In the long run we need a little better policy on moving our commodities into foreign trade without the farmers bearing the burden of the cost. I'm sure you would agree with us on that. That's the one that at least I was trying to address this morning as the long-term policy of how we can support prices at a better level in this country and still have commodities available to move abroad if that's what we want to do.

Mr. **HUCKABY**. I don't understand your logic. The administration has had this authority in the 1981 farm bill. They've used it one time, in the Egyptian wheat transaction. We lost a cotton transaction 2 weeks ago to Korea. I can go back every month to major transactions that we've lost where a country has subsidized. And you don't think that we should mandate to this administration? They've done it one time in the last 4 years. You've seen your export markets decline at an increasing rate. And our farmers realize that we've got to export if we're going to prosper; 40 percent of our acreage grown is dedicated to the export market.

Mr. **FRAZIER**. I think we misunderstood each other, sir. I said that I thought it was a good idea, and if you can mandate them to do it, fine. My only point was that I think they have the authority to go ahead and do a number of those movements now, even without legislation. But if you wish to legislate it, great. Go ahead, sir.

Mr. **HUCKABY**. Thank you.

Mr. **FREDERICK**. I might have one comment, Congressman Huckaby, and that is that if we once start, on again/off again/one shot to Egypt maybe sent a message, but that market's back to the

French now. And if we make a commitment that we're going to use an export pick or any type of using surplus commodities in a way to offset foreign subsidies on foreign exports to Third World countries, we have to make a commitment and it has to be a long range commitment because just doing it once or twice is not effective and it won't accomplish what you and I both want to accomplish. So I think you have to make a commitment. If you're going to do it, you're going to have to do it, and it has to be on the long term. And that's a question we have to make a decision on.

Mr. **Huckaby**. Thank you. I would very much agree with you, and I would hope if we are able to do it, I would suggest that the Europeans would be willing to negotiate, the Australians would be willing to negotiate once you hit them for another $3 to $5 billion.

The **Chairman**. I thank the gentleman.

The House will reconvene at 11 a.m. and I'd be happy to recognize any member who has a quick question.

Mr. Franklin.

Mr. **Franklin**. Thank you, Mr. Chairman.

I'd like to direct my questions to Mr. Kittrick. I agree with you that conservation and the goals that you are desiring to accomplish often never come about because of economic implications, either budgetary impacts or whatever. I think that the present times in agriculture, particularly agriculture credit, give us an excellent opportunity to be able to marry farm interests and nonfarm conservation interests into a method by which we can accomplish something.

I want to call your attention to H.R. 1000, a bill that I've introduced, which is an attempt to try and do that. You've proposed a method of retiring land which would be a direct budgetary impact on the Government of from a half billion to $1 billion, you said. I submit to you that this Government has already expended sums far in excess of those to farmers through the extension of credit, Farmers Home Administration and other agencies of the Government, and that these farmers have used that credit to develop marginal lands, put them in row crops, take them out of bottomland hardwoods, and to convert wetlands into row crop farming. I would submit that the Government has, in fact, paid for the right to conserve some of this acreage, and I think that we have farmers in desperate financial circumstances who would be willing to transfer the right that they own to the land to the Government to use that land for conservation purposes in exchange for a reduction of some of that debt that they have accrued. In my area, for instance, the average farm is 1,000 acres; 200 acres of that is ice cream, good, high sandy land; 400 acres of it, on an average, is high, heavy land where we grow the feed grain crops and soybeans. About 300 acres on the average on these farms are row crop lands that were formerly in bottomland hardwoods, formerly in swamps, sloughs, that have been drained for economic reasons by these farmers to try and cope with their debt situation, to put more land in production to try and do something about the overburdening debt that they have.

Under this concept, the farmer would be able to transfer this land to the Government for a permanent easement, and we provide a period of time of no less than 50 years; that the Government set up what conservation uses be prescribed for that land, and allow that farmer to write down the appraised value of the land from his debt to the Government. This would basically, in my area, give him two-thirds of his most productive land with two-thirds of the debt, and hopefully he could be able to satisfy or meet the debt servicing requirements on that land.

Based on your testimony, and particularly the remarks you've made in your prepared statement that I have read, I would strongly suggest that you look at this and try to work with us on accomplishing some of the goals that you have in that proposal and some of the ones that I have in H.R. 1000, and I would like to discuss it with you later. I don't have any questions; I just wanted to make that comment, and I thank the chairman.

The CHAIRMAN. Mr. Roberts.

Mr. ROBERTS. Yes, Mr. Chairman, thank you.

I just want to make two observations, one in regard to the conservation reserve idea. I will be introducing that legislation along the lines that have been proposed by USDA before it ended up on the cutting room floor in regards to your negotiations with OMB.

Second, I don't know if the subject has been brought up and I apologize for taking the committee's time in this regard, but would any of you folks have any comments to make in regards to a value of the dollar index by which we could index the export PIK to our customers? In other words, if you took the value of the dollar of, say, country X in 1980 and then the value of the dollar in 1985 and you plugged that index into the CCC grain that we have—and I would remind you all, we're going to end up with about 700 million bushels of wheat in that reserve by December; we might as well go ahead and use it, if you please—and I thought that that kind of an index would make a lot of sense. I wonder if Mr. Frazier would have a comment in that respect.

I know about the argument in terms of artificial supply and demand. But if, in fact, we are going to send a strong message to our competitors, and if, in fact, the last March report by the USDA showed our market shares continuing to go down, what better way to send a very strong message and tie it to that kind of an index?

Mr. FRAZIER. Congressman Roberts, I could agree it would be a good move. Like some of these others, I, for one, am looking for a little more of a long-range solution to this thing, and especially on the farmer's side of the equation. But certainly, I agree with you that any reasonable steps that we can take to move these bushels out of here would be a move in the right direction.

Mr. ROBERTS. I wonder if Mr. Frederick would have a comment in that respect, as you commented earlier in response to Mr. Huckaby's question?

Mr. FREDERICK. I guess I agree with Chuck that we've got surplus grain, and if we can move it, so much the better. And if we can use it to build future markets at the same time, anything along those lines of market development would be fine.

I don't look at credit and price as marketing. They are marketing tools, and they don't build markets. I think the long-range solution to U.S. agriculture is creating demand, and I don't see price and credit creating demand.

Mr. **Roberts**. I would agree with you. I think that's an excellent point, but somehow we have to get there from here, and we have to sell it, not smell it, and we're sitting around smelling it right now.

Mr. **Frederick**. That's right.

I don't quite understand your indexing.

Mr. **Roberts**. Well, it is a value—in the first place, it's Mr. Evans' bill. I am a cosponsor, but we have been talking about it for some time and there have been a number of people on this committee worried about the value of the dollar and if, in fact, that is our No. 1 problem in regards to exports, or one of the biggest problems—which it obviously is—why not take a value of dollar index to determine the amount of bushels that you involve in this kind of an export PIK? I don't like the word "PIK"; it almost perjures the kind of a program. We can call it something else if you want. So in that regard, instead of saying: "If you buy two, we'll give you one," or "If you buy four," whatever, you simply equate it back to the value of the 1980 dollar and you offset that value of the dollar, which is certainly no fault of the farmer in regards to our deficit spending, et cetera, et cetera—I think it's an interesting—what angle or peg to hang your hat on by which we could sell it, not only in this country, but to send a strong message to our competitors.

Mr. **Frederick**. I would agree with you, sir.

Mr. **Roberts**. OK.

Thank you, Mr. Chairman.

The **Chairman**. Thank you very much.

Mr. Frederick, we have an Export Commission that is studying the issue relative to exports, and we have a preliminary report due in the near future from them to the Congress. In your study of the issue, have you made any attempt to find out the loss of markets, the countries, and the loss due to the value of the dollar?

Mr. **Frederick**. I haven't myself, sir, no.

The **Chairman**. Has your association or organization made such a study?

Mr. **Frederick**. No; the Grange hasn't looked at it on a country-by-country basis to try and tie the losses to the value of the dollar. I'm sure it's available.

The **Chairman**. The Export Commission has gotten off to a fairly good start except for getting money. We had hoped that it would be funded by the private sector. You deflated my ego a little bit, Mr. Frederick. I had meetings with the French when Madame Edith Kresson was the Minister of Agriculture, and I started working with the European Community. Finally, I told our side: "Stop shouting unless you're going to do something." I thought I might have had some bearing on that, but you give all the credit to the Security Council and the State Department.

Mr. **Frederick**. I certainly didn't mean to, Mr. Chairman, but those things can happen. We really don't know.

The **Chairman**. My argument with them was to stop shouting unless they are going to do something.

You mentioned something very interesting that I cite periodically in my talks and that is we have never known hunger. I was told by a colleague from Germany:

> Mr. Chairman, you call it subsidy, you call it nontariff trade barrier, you call it anything you want to. We will talk to you, we'll have dialog, and we'll try to reach agreement, but we have known hunger twice in this century. You have never known hunger.

He continued by saying: "We're not going to let it happen again." I asked: "Pray tell, what's your solution?" And he replied: "Well, I don't know any solution, but we're going to keep our farmers on the land." That was his answer.

So we have to look at the reasoning behind some of the things he said. We have problems and this administration seems to not want to understand. Maybe we are to the point where we need our farmers on the land. I don't know if we could know hunger across the broad spectrum of the United States of America, but we can know scarcity. We've already known scarcity. We begged people for dairy products in the 1970's. There have been occasions when we begged our friends to send in beef. So we've already known shortages, and it could happen again if we don't keep our farmers on the land.

Mr. FREDERICK. Mr. Chairman, in response to your reference to the Commission that you serve on, and were responsible for getting the legislation passed—my boss, Mr. Andersen, serves on that Commission, and I know that in my discussions with him we feel very strongly—we realize that it can't be done now for this first report, March 31, but I think that a major contribution to that Commission could be to investigate the reasons—what drives the agriculture machinery in foreign countries? Why do they make the decisions that they make? Hunger is one of them, that leads to self-sufficiency. But it's foreign exchange, it's to maintain a social-economic system that they want to maintain in their country; it's not necessarily based on what we do.

The CHAIRMAN. I hope they can document the why, who, where are we going, and what are the areas of expansion. One of you mentioned Argentina.

Mr. FREDERICK. I did, yes, sir.

The CHAIRMAN. We were there recently and we looked at the Argentine productivity as a friendly competitor. I was amazed to see that they were taxing their exports up to approximately 30 percent and still competing with us at a very favorable rate. I visited with their officials and commented:

> This doesn't sound right. You're taxing exports? And he replied: Yes. One, it's for discipline; and two, we need the money. We don't know if we can collect it, so once the grains are on the ship, we know they're there and we tax it right there.

We're talking about competing and they are taxing 30 percent. I think it has been reduced now to some extent, but hopefully the Commission will look at these areas.

We thank all of you for being here. We apologize for the imposition, but we had to revamp our schedule. You have been very cooperative, and we appreciate it very much.

Mr. FREDERICK. Thank you, sir.

The CHAIRMAN. The committee will now recess and reconvene this afternoon at 1:30 p.m. Thank you.

[Whereupon, the committee recessed, to reconvene at 1:30 p.m. the same day.]

AFTERNOON SESSION

The **Chairman**. The committee will be in order. The clerk will call the roll to ascertain which members are present when the gavel sounded.

The **Clerk**. Mr. Foley.

[No response.]

The **Clerk**. Mr. Jones of North Carolina.

[No response.]

The **Clerk**. Mr. Jones of Tennessee.

[No response.]

The **Clerk**. Mr. Brown

[No response.]

The **Clerk**. Mr. Rose.

[No response.]

The **Clerk**. Mr. Weaver.

[No response.]

The **Clerk**. Mr. Bedell.

Mr. **Bedell**. Here.

The **Clerk**. Mr. English.

Mr. **English**. Here.

The **Clerk**. Mr. Panetta.

Mr. **Panetta**. Here.

The **Clerk**. Mr. Huckaby.

Mr. **Huckaby**. Here.

The **Clerk**. Mr. Glickman.

Mr. **Glickman**. Here.

The **Clerk**. Mr. Whitley.

Mr. **Whitley**. Here.

The **Clerk**. Mr. Coelho.

[No response.]

The **Clerk**. Mr. Daschle.

[No response.]

The **Clerk**. Mr. Stenholm.

Mr. **Stenholm**. Here.

The **Clerk**. Mr. Volkmer.

[No response.]

The **Clerk**. Mr. Hatcher.

[No response.]

The **Clerk**. Mr. Tallon.

Mr. **Tallon**. Present.

The **Clerk**. Mr. Staggers.

[No response.]

The **Clerk**. Mr. Evans of Illinois.

[No response.]

The **Clerk**. Mr. Thomas.

[No response.]

The **Clerk**. Mr. Olin.

Mr. **Olin**. Here.

The **Clerk**. Mr. Penny.

Mr. **Penny**. Here.

The **Clerk**. Mr. Stallings.

[No response.]

The **Clerk**. Mr. Bruce.

Mr. BRUCE. Here.

The CLERK. Mr. Madigan.

[No response.]

The CLERK. Mr. Jeffords.

Mr. JEFFORDS. Here.

The CLERK. Mr. Coleman.

[No response.]

The CLERK. Mr. Marlenee.

[No response.]

The CLERK. Mr. Hopkins.

[No response.]

The CLERK. Mr. Stangeland.

[No response.]

The CLERK. Mr. Roberts.

Mr. ROBERTS. Here.

The CLERK. Mr. Emerson.

Mr. EMERSON. Here.

The CLERK. Mr. Morrison.

[No response.]

The CLERK. Mr. Gunderson.

[No response.]

The CLERK. Mr. Evans of Iowa.

Mr. EVANS of Iowa. Here.

The CLERK. Mr. Chappie.

[No response.]

The CLERK. Mr. Franklin.

Mr. FRANKLIN. Here.

The CLERK. Mr. Lewis.

Mr. LEWIS. Here.

The CLERK. Mr. Smith.

[No response.]

The CLERK. Mr. Combest.

Mr. COMBEST. Here.

The CLERK. Mr. Schuette.

Mr. SCHUETTE. Here.

The CLERK. Mr. de la Garza.

The CHAIRMAN. Here.

The clerk will list those names in order of seniority for questioning purposes. Now the clerk will be instructed, as best she can, to list members in the order of arrival into the committee.

Before we recognize the Secretary, I again have the very happy pleasure to inform the committee and our guests that we have Mrs. Jack Block in the audience with us.

We welcome you again. As I have stated before, you are always welcome to visit us, and you don't have to wait until the Secretary comes to visit the committee.

We are honored, and it is my distinct pleasure to introduce the Minister of Agriculture from the Republic of Argentina, who is here accompanying the President of Argentina, as our guest for a few moments.

The distinguished Minister of Agriculture from the Republic of Argentina, Mr. Lucio Recca, we welcome you.

[Applause.]

The CHAIRMAN. He is accompanied by their attaché in Washington, Mr. Manuel Onero.

Mr. Secretary, Mr. Naylor, Mr. Amstutz, and the rest of your group, we welcome you.

REMARKS OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The CHAIRMAN. Mr. Secretary, I want to welcome you and your colleagues to this hearing. This is not really the beginning of our consideration of the issues involved in the 1985 farm bill. We have been holding public hearings on these issues, here and around the country, since early last year. We reached out to every American who wanted to be heard or had anything of significance to add to our deliberations. However, this is our first opportunity to meet with you, Mr. Secretary, on the proposal which you have forwarded on behalf of the administration to us.

It is coincidental, but worth noting, that we are holding this hearing on National Agriculture Day. As members of the committee know, we recently adopted a resolution expressing the committee's strong support for this observance. I hope the message can be given to every American in every part of this great country, the message that agriculture has served and is serving our country well, and that all citizens should have a better understanding of how our farm and food system works, of our successes and of our problems.

We begin this meeting with a belief that the legislation we are going to try to put together in this room later this year is of critical importance, not just to agriculture, but to the entire national economy.

I believe we also begin with bipartisan agreement on this committee that American agriculture deserves and should get a chance to survive economically. I know that we may differ on the details of some of the programs we will consider in the coming months, but the record will show we have been able to get a bipartisan consensus many times in the past, and I sincerely hope that will be true again this year.

Mr. Secretary, I know that you are aware of the great stress that American agriculture is now suffering. I know that you hope, as we do, for a return to profitability in agriculture.

I think most members of this committee agree that some changes are needed in existing programs, but you also realize, I am sure, that the proposals the administration has placed before Congress, which you will explain today, are not going to be satisfactory to many of us. I believe personally that American agriculture, especially in its current condition, needs a more effective safety net than the administration proposals offer, as far as I can see.

I assure you, however, that we want to explore your suggestions fully, along with the others we are receiving, and will be receiving. And we hope you will work with us to seek the best solutions we can find for agriculture.

We thank you very much for your presence here, and we will be happy to hear from you at this time.

STATEMENT OF JOHN R. BLOCK, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY DANIEL G. AMSTUTZ, UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS; FRANK W. NAYLOR, UNDER SECRETARY, SMALL COMMUNITY AND RURAL DEVELOPMENT; RANDY RUSSELL, EXECUTIVE ASSISTANT TO THE SECRETARY; AND JOHN FORD, DEPUTY ASSISTANT SECRETARY, GOVERNMENT AND PUBLIC AFFAIRS

Secretary BLOCK. Thank you very much, Mr. Chairman. I want to thank you for your strong leadership of this committee and the efforts that we have always made to try to accomplish something together for agriculture.

We just concluded a luncheon with the Minister of Agriculture from Argentina. I think you probably introduced the minister here before I came in. Once again, it is a great pleasure to have a visiting minister of agriculture here in the Congress to hear testimony from the administration's side and the review of our program and the reaction to that program by the House Agriculture Committee.

Mr. Chairman, as you suggest, there has been a great amount of discussion in this last year about agricultural policy, and the administration has gone across the country with listening sessions, including Texas, along with a number of other States. We heard from farm leaders and agribusiness leaders and others interested in agricultural policy. There was also some support for heavy supply management. There was also some support for continuing the same program. But I will say that there was an overwhelming opinion on the part of those that testified that the current program is not working like it should and some changes need to be made.

Certainly, when you start talking about what those changes should be, there is a great deal of debate. And that is part of what we are here about today. We are convinced in this administration that a move toward less government is the right direction and a move toward programs that have budgetary finite cost control is appropriate.

This is 1985, and we will be writing new legislation this year. It's necessary and it's essential. I want to go through the objectives of the Agricultural Adjustment Act of 1985 that this administration has proposed.

The first point on this chart is that the legislation should be long-term in nature. Farmers across the country said that they want to be able to plan for the future and look ahead, and they needed long-range legislation so they could provide for long-range planning. If the legislation we're offering becomes permanent law, it provides long-range planning, consequently, and it is flexible in its design so that we have the necessary flexibility.

The second point is that we believe this legislation should be market-oriented. Farmers want their income out of the marketplace. They don't really want to be dependent on the Government. The programs should be market-oriented in that the rigid high price supports that have been decided on by Congress rather than market forces have given us encouragement to produce more at a time when we didn't need more, to plow up fragile lands and to cause us to hold excessive stocks of grain that have hovered over the market like a black cloud, depressing prices of our farmers.

The high supports have caused us to lose markets as other countries have come in and produced more in response to our guaranteed prices. Finally, these programs have been more expensive than they should be.

The Agriculture Adjustment Act that we are proposing will provide for prices to farmers that are a product of supply and demand, prices set in the marketplace.

The third point that I would make is that these programs that we are writing should enhance competitiveness of American agriculture. We need the loan rate set at a market-clearing level so that the loan rate does not dictate price and does not cause us to take on large stocks of grain.

We need to phase out Acreage Reduction Programs. Government-mandated Acreage Production Programs have really not worked. There has been a whole host of reasons, and there are all kinds of ways people get around them. And other countries have come in and produced more in response to our programs. We need to recover those markets.

Let's look at this chart which shows what's happened to our markets in wheat alone. In 1981 to 1982 we had 48 percent of that wheat market. The wheat market went ahead and expanded. As we moved out to 1984 and 1985, our share of the market declined down to 36 percent. We lost a full 10 percent in terms of share, and this is especially painful in times of a growth market. And as you can see, the market grew, but American agriculture did not participate in that growth.

Regarding trade policy, this administration and this Agriculture Adjustment Act reaffirms our commitment against embargos, because of shortages and because of foreign policy considerations. It is also very strong in the area of affirming our commitment to contract sanctity.

Furthermore, this legislation says that if by July 1986 we have not succeeded in arriving at or succeeded in obtaining some concessions from countries that are using export subsidies to victimize the American farmer, that this administration is obligated to come to the Congress with a plan to attack those subsidies that are victimizing the American farmer. It's not that we may do it if we want to; we are obligated to do it. It's a very strong trade title that we have in this legislation.

Let's go back to the earlier chart again and look at the fourth point, orderly transition. This program calls for a transition over a period of 5 years to arrive at a market-oriented agricultural industry. We will be moving from these rigid supports to more flexible supports, and we provide an economic cushion in the transition period. I believe 5 years provides us a sufficient amount of time for agriculture to become more competitive and better positioned to remain profitable.

The fifth objective is equity and consistency. Under current law, the farm programs really are not benefiting all the commodities. In fact, over one-half of the total agricultural commodities do not receive direct Government support. One-third that does receive the support—and you know quite well which commodities those are—I would submit to you that the one-half that do not receive direct Government support—livestock and your poultry, specialty crops, fruits and vegetables—are probably in better financial condition than the commodities that do get direct support. And I believe that sends us a message.

In addition, 13 percent of the producers in the United States receive 45 percent of the payments, with the way the programs are currently written. I don't think that that's very good either.

The Agriculture Adjustment Act will provide for equitable pricing and income supports. We're going to work toward a level playing field.

Now, I know it doesn't make everyone happy, because one commodity group will say, "Well, we can't stand a level playing field. We have to be treated in a very special way." Another commodity group says, "Well, we're not ready. Come and talk to me in a couple of years and we'll be ready to look at changing my farm program." But what we're saying is that the only way to do this is in a uniform way over a period of 5 years and bring the supports down, and phase out Government controls, so that all commodites have an equal shot and an equal playing field. If that occurs, I think our agriculture will be more efficient and more competitive than it has ever been.

Commodity programs will, by that time, be consistent with one another the way they should be.

The final point, and one I know that all of you on the committee and we all are concerned about, and that's budget restraint. As I talk to farm groups they'll tell me—and I agree with them entirely—that a balanced Federal budget is the best farm program that we could have. What I am saying is that we need to be able to control the cost of our farm programs. The farm programs in past years have been, frankly, out of control. And this chart here will show you how those costs have escalated over the years.

This chart shows the farm bill of 1973 cost $12.7 billion. The 1977 farm bill cost $27.7 billion. The last farm bill written jumped on up to $63.3 billion. Mr. Chairman, we cannot afford to write another farm bill taking another step on those stairs on up to $120 billion. And if we keep doubling it every 4 years, that's exactly where it's headed.

I would submit that we have no choice but to put a lid on outlays and institute finite cost control in our farm legislation this time around.

This chart, Mr. Chairman, and gentlemen of the committee, provides a comparison between the current services cost of our farm programs and the AAA of 1985. If we stay with current farm programs, it will cost us in the range of $15 billion a year on out to 1991.

If we adopt the program recommended by the President, it will cost around $20 to $35 billion over the same time period or in the range of $5 billion a year, which is consistent with what we were paying for farm programs throughout most of the 1970's. And I think it's a more realistic level. Not only is it an advantage to addressing the deficit question, but it's also an advantage to farmers because they will become less reliant on the Federal Government and more control over their own destinies.

Let's look at some farm policy options on the next chart. The first option could be to just extend current law. I have heard some people say that's the best thing we could do right now. I will concede it's the easy way out. It's the easy thing to do, just say we're at a total loss, we don't know how to address the problem, let's just extend what we have today.

But, in doing that, we're accepting a $15-billion-a-year cost. We will be continuing the ineffective programs that we have had in the last 4 years, during which time we have lost export markets, acquired large stocks of grain and have had to find ways of getting rid of it, such as the PIK Program.

Some may not agree with the PIK Program, but we had to find some viable alternative other than buying enough land to get it out of production. But, if we keep the same programs, we'll be right back in that same problem.

In terms of world trade, the next chart shows that the U.S. export volume, if we extend the current law, will be the stagnant red line on the chart. If we move to the Agriculture Adjustment Act that we're recommending, you're going to see us move up this dark line.

What that shows us is that the rest of the world is going to be enjoying a growth in trade while we are not. And effectively, that's what's happened in the last 4 years. And if we stay with the same policy, the same thing will happen the next 4 years.

Let's look at the next chart which looks at ending stocks. I referred to it earlier, that if we stay with the current program, our ending stocks will build so that by year 1991 we will have a 50-percent increase in the volume of stocks more than we had when we instituted the PIK.

You can see with the PIK the volume of stocks dropped dramatically after that. But, they're on the build again with the current law, and they'll just keep building and somewhere out in there they'll get big enough we'll have decided we have to do something drastic. It might be another PIK or it may be spending a lot of money to buy land out of production. Or we might just decide we have no choice now under these circumstances but to go ahead with a mandatory control program. So we would have to address it someplace down the road.

I would submit that staying with the current program is really not a viable alternative. It might be easy to do because we feel decisions are difficult, but I don't think we'd be serving agriculture properly if we went ahead and took the easy way out.

Let me point out, the administration is strongly opposed to an extension of current law. We cannot hide from the problem. The problem is there, and if we stay with current law, farmers would just become more and more dependent on Government and we would be losing ground all along.

Let's go back to the chart with the various policy options. The second alternative would be mandatory control programs. There is support for this in some parts of the country. I will concede that. But what does that mean? It means that we would have restrictive quotas or allotments of some form. Farmers would be living under a quota system. We would have a higher cost structure. There's no getting around it, because we really wouldn't have our resources being used most efficiently, because everyone would have to cut perhaps as much as 40 percent, if we're going to immediately raise the prices.

So the allocation of resources would be distributed among farms, but not in accordance with the quality of the land and the ability to produce whatever type of crop in most demand. We would lose export markets, because by artificially raising the price, we would be effectively pricing ourselves out of the world market.

The final option is to move to a more market-oriented program which the administration recommends. Mr. Chairman, as I talk to people, even on this committee, on both sides of the aisle, and people in the country, there is a strong appreciation and realization that this is the direction we should go.

There are people who are concerned about whether we can get there and they feel it's risky. But they know it's right. And I think that we owe it to them to find a way to get agriculture to this market-oriented position where we'll have a chance to be a healthy sector able to stand on our own feet, and not be as dependent on the Federal Government.

Our proposal would phase out supply control programs. We would have efficient use of resources, because they would be utilized in accordance with supply and demand conditions. Farmers would make the decisions on which field to plant to which crop, not the Government, and we will have much more efficient use of those resources under those conditions. Our export markets would expand.

The next chart is a comparison between the use of mandatory controls and the administration's Agriculture Adjustment Act of 1985. It depicts how many acres would be planted, if we go with a mandatory control program versus the Agriculture Adjustment Act.

If we're going to get these prices up where most would like to see, we're going to have to take 50 million acres out of production. We would have less receipts, and it would have an impact not only on farmers but the input and service industries that serve agriculture. They would be serving 50 million fewer acres. There is a price to be paid for that decision. The Agriculture Adjustment Act would be serving more acres, and the acres would increase very slightly over the period.

The next chart compares exports under mandatory versus the Agriculture Adjustment Act. The red line shows what would happen with our exports under the mandatory program. You cannot jack up the price and expand your exports unless you're willing to go in and spend a huge amount of money on export subsidies. And with a $200 billion deficit, I don't think we have that option.

The other alternative is to go with the Agriculture Adjustment Act, which really is a market-oriented, export-efficient farm program. And you see what happens to the level in our exports. We will be able to capture at least a portion, if not all, of our export markets. At a minimum, we can hold our own in future years. If we stay with the current program, exports would not go up nearly as much, but they don't plummet like they do under the mandatory program.

I might add one further point on this export question. We're already concerned about the Minister's Argentine grain coming in and challenging us. If we raise our price up another 20 percent or so, we surely will have foreign grain coming into the United States. We won't be able to make our farm program work unless we put a trade barrier up of some sort to keep that grain out.

So that means we'll have to go around to put up all kinds of trade barriers against the imports of foreign grain, and I just don't know how we'd ever win on this one if we go to a strict mandatory control program. We would surely be inviting retaliation against the United States in our export programs.

Let's go on to the next chart. This is a representative 500-acre wheat farm which looks at 1986 producer returns under a mandatory control program versus the Agriculture Adjustment Act. Under the mandatory program, the producer receives a good price, $3.90 for his wheat. The loan rate is $3.30, target price of $4.38. So he's going to get paid pretty well. The only problem is he has to take 45 percent of his acreage out of production in order to arrive at those kinds of prices. As a result, he will have a gross return of $50,000.

Now, that program costs some money. Let's look at the program under the Agriculture Adjustment Act costing exactly the same amount of outlays out of the Federal Treasury. That's what we equate here is that the cost of these are the same.

Under the Agriculture Adjustment Act, the market price is not very high—$2.60. The target price is $3.41 and the loan rate is $2.56 per bushel. But the farmer will have a gross return of $56,000. He will only have 15 percent of his acreage out of production, and he's going to end up with returns over variable costs of $37,000 instead of $35,000. Thus, he's going to do better there than he would if he went to this mandatory control program. And keep in mind again we're spending the same amount of money on either plan.

Let's look at the next chart. This is the same wheat farmer, the same 500 acres of wheat, only looking at his returns by 1991. He's still taking out 45 percent of his land. He's got a target price now of $4.38. His market price is up to $4.35. His gross returns are now $54,000.

But the same farmer under the Agriculture Adjustment Act program has no acreage reduction by 1991. His target price is $2.26. But his market price is up to $3.50 now; things are looking pretty darned good for him because his gross returns are $71,000. Returns above variable costs are $46,000 versus $37,000, under mandatory programs.

Certainly, one point that isn't brought out is that he's going to be a much more efficient producer on a per-unit basis because he is not keeping as many acres out of production. He's running his machinery equipment over more acres, producing and selling more crop.

Let's move to the next chart which depicts producer returns over variable costs.

Some will say, "Ah hah, that's the one I have been looking for. It's not all good to be in the Agriculture Adjustment Act, because there's a time of transition that's not particularly pleasant, because the prices are lower and the returns are lower for that wheat farmer." And our analysis shows that in 1988 and 1989 we're looking at less return at that time than we would have if we went to the mandatory program.

But remember, if we were to go to a mandatory program, we never would get back to where we have been in the last 2 or 3 years, whereas if we go to an open market program without Government controls, we'd get back there at the end of this decade, and we've got a chance for growth and prosperity and opportunity in American agriculture. And I think that's what we're always looking toward at this time.

I want to close, Mr. Chairman, by reminding you and all the committee that the path that we follow in 1985 is likely to set the course for agricultural policy well into the next century, and we are making some very important decisions here. And I know that it's difficult.

But I think we have to ponder how important it is. When President Roosevelt proposed the Agriculture Adjustment Act of 1933, he said, "I tell you frankly that it is a new and untried path, but an unprecedented condition calls for the trial of new means to rescue agriculture."

Only a year later, 1934, Secretary of Agriculture Henry Wallace said, "The present program for readjusting productive acreage to market requirements is admittedly but a temporary method of dealing with an emergency. It could not be relied upon for permanent means of keeping farm production in line with market requirements."

And yet you all know we've been using something like this for the last 50 years. If we fail to remember the lessons of the past, we are doomed to repeat its failures. We all share a common desire to preserve and promote this Nation's most important productive industry. Winston Churchill once said, "You can always count on the Americans to do the right thing after they've tried everything else."

And we've tried quite a bit and made some changes. But I believe now is the time to go ahead and reform agricultural policy, and move in a new direction to give farmers more freedom and more opportunity. And I think that it will be to the benefit of not only farmers but agri-industry and the rest of the country.

Thank you, Mr. Chairman.

[The prepared statement of Secretary Block appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Secretary.

You quoted Roosevelt, Wallace, and Churchill. Let me quote Cervantes in Don Quixote.

When confronted with charts and assumptions, Don Quixote said, "Charts are the enemy of truth." [Laughter.]

Could we see the chart that has the cost of the programs? I want to clarify costs you cited.

Secretary BLOCK. We would be glad to recall the charts, Mr. Chairman.

The CHAIRMAN. We have our assumptions, but I do want to verify. You cited the cost of the farm bill, which I assume you meant 4 years—or are you using 5 years?

Secretary **Block**. The cost chart.

The **Chairman**. The $60 billion that you keep mentioning.

Mr. **Amstutz**. It's one of the early ones.

The **Chairman**. You said, "The farm bill." Is it the OMB 5-year estimate or the farm bill 4-year cost?

Secretary **Block**. Five years.

The **Chairman**. So $60 billion for 5 years, which is roughly $12 billion a year. Last year's budget was $841 billion, of which $12 billion would be about 1.5 percent of the total budget.

Secretary **Block**. I usually show that chart myself, Mr. Chairman. That's a good chart.

The **Chairman**. 1.5 percent of the total budget of the United States of America is what the $60 billion you're speaking about would be for 1 year—1984.

Secretary **Block**. Right.

The **Chairman**. I thank you very much, Secretary.

Mr. Bedell, questions?

Mr. **Bedell**. No questions.

The **Chairman**. I understand that you had some problem with time.

Secretary **Block**. No, that's fine. I like it here, Mr. Chairman.

The **Chairman**. Mr. Bedell.

Mr. **Bedell**. Thank you, Mr. Chairman.

Mr. Secretary, the problem some of us have is that you mentioned three programs. Some of us think there are more than three possibilities, and it was very disappointing to me that the administration and your Department has not looked at more than the three proposals.

I have asked the clerk to hand you a sheet from the "Current Financial Condition of Farmers and Farm Lenders." I had some of your people in my office yesterday. They indicated that that chart was given to you prior to the time that the President vetoed the farm bill.

Do you recognize that chart, and is it correct that that was given to you prior to the time that the President vetoed the farm bill?

Secretary **Block**. Yes, sir, we had this chart.

Mr. **Bedell**. And it was my understanding that the President had this chart prior to the time that he vetoed the farm bill.

Secretary **Block**. I am not sure he had this chart exactly, but he had been briefed on most all of these figures.

Mr. **Bedell**. This chart, if you will look at the category titled "Family-Size Farms, January 1985," shows over a third of the family-size farms in serious financial problems or extreme financial problems or technically insolvent.

I guess for some of us it's a terrible blow to offer legislation that would try to do something about the credit problem, that would try to help those one-third of our farmers who are in serious financial difficulty, only to have the President absolutely refuse to sign the legislation.

Second, for many of us to look at these figures and have you tell us that, in spite of all these troubles, you are supporting a proposal that is going to lower farm prices to our farmers very substantially, that's going to lower corn target prices from $3.03 to $1.95, corn loan levels from $2.55 to $1.72, tells us that there is a serious, serious problem in your administration of the Department and with the President of these United States and the total administration.

Mr. Secretary, I like you. You may not think so, but I do. I think you are an honest, hard-working person. But I come out of a business background, and in that business background we often have to do things that are darned painful. We have to demand performance because there is competition and we have to see that there is performance.

You have to understand, I sit here in a situation where not only my farmers but my total region faces an absolute economic collapse. The major paper in my State has asked for your resignation twice. I haven't done so, partly because I thought you were trying. I think you still are probably trying. But you know, we can't go by effort. We've got to go by results.

The fact is that the President has vetoed a bill and you're serving as his adviser to help our farmers. The fact is that you're coming forth with a proposal that's going to significantly lower the prices for our farmers at a time when they're already in serious difficulty.

And I have wrestled with this, frankly, a great deal in recent days, and I am here to plead with you, Mr. Secretary, that you resign from your position. I don't know if we'll get anybody any better or any worse than you, and I recognize that all you are is one of the players in this, and it wasn't you, but the President, that vetoed the bill. And I realize David Stockman is a problem to us. But you're part of that team, Mr. Secretary, and that team ain't working. We've got terrible problems out there, and if I was the coach of a team and the team was losing, I'd do something about it.

I don't think I have any choice, as painful as it may be, Mr. Secretary, to suggest to you that you resign. I know that won't solve the whole problem, but maybe we can get somebody in there that will realize how serious the problem is. Maybe we can get somebody in there that will fight harder for us, and maybe somehow we can get this administration to recognize that we really have a problem out there and it's kind of important that we do something about the agricultural sector of our society.

It's not easy for me to make this statement, believe me. But I think we've got to do some things that aren't easy in these conditions. I am telling you that the situation is really serious, and it isn't going to affect just my farmers, it's going to affect more than farmers, and I think it's going to affect more than just the State of Iowa.

I yield back the balance of my time.

The CHAIRMAN. Mr. Roberts.

Mr. ROBERTS. Yes, thank you, Mr. Chairman.

I have often thought we ought to conduct these hearings without television, but I will let that go. [Laughter.]

Mr. Secretary, welcome to the committee. And hang tough. You quoted Churchill. I would like to quote in regards to the last chart, a mutual friend of ours, Mr. Merle Haggard, who said that, "The bridge is washed out, I can't swim, and my farmers are on the other side."

And in terms of the income bridge, I am wondering, sir, if we finally do get some progress in the other body and this body and we get a budget similar to that that was passed by the Senate Budget Committee, could you come and dance with us a little bit longer in regard to some of the budget restrictions that you have to deal with, if the Congress would pass that kind of a freeze as of last year.

There are a lot of us who think we can get there from here within the budget freeze that we're very hopeful that we can pass.

Secretary **Block**. I think that we're all interested in getting the cost of Government down so that we reduce the budget deficit. I know the package you're talking about that was passed by the Budget Committee. I think that there is more than can and should be done on the agriculture side. I do believe the approach the administration is taking makes a lot of sense.

In spite of the pain Mr. Bedell talks about and keeps reiterating, there isn't anyone that understands the problems better than I do. I don't own anything that isn't agricultural. All I own is farmland and livestock and machinery, all of which is worth half of what it was 5 years ago.

So I don't think anyone could understand it better than that. But I don't think the solution is to continue with programs that keep us going down the same road we've been on the last 4 years when I think it's pretty evident that route is costing us too much. It's costing us in the form of lost markets and it's costing us a whole host of other things. I think we need to make these adjustments toward market orientation.

Mr. **Roberts**. I would agree with the basic goal of that. It's just which path that we take so that we don't end up in the ditch and I think that can be a subject that we can negotiate, and I would hope we would have the dollars to do that under a freeze.

We had a press conference about an hour ago—we, Mr. Secretary, meaning Mr. English of Oklahoma, who is now present, and I will yield to him in just a moment—and we have a bill that we think is a very reasonable bill that has also been cosponsored on the Senate side by Senator Boschwitz and Senator Bourne and Senator Nickel, my good colleague from Iowa, Mr. Evans, has a very similar bill. Congresswoman Smith has a similar bill.

Can you give us any indication of where the Department is in this regard? Are you supportive in that effort?

Secretary **Block**. I don't know the exact terms of your bill, but I very strongly support a change in cargo preference as it's applied today, because a recent court ruling effectively destroyed our blended credit programs and we need to turn back the hands of time at least to where it was where cargo preference would apply to only Public Law 480. And we need to do it some way, either legislatively or through the courts, because we cannot live with the current situation.

Mr. **Roberts**. I would yield to my colleague.

Mr. **English**. I would like to follow up on that, Mr. Secretary. As Pat mentioned, the two of us introduced this along with a number of members of this committee. I also would like to point out that it does do exactly what you said; namely, it does draw the line, we revert back to where we were before the court's action. And that's legislation that will, as I understand it, come before this committee.

Would the President also be supportive of this legislation?

Secretary **Block**. I can't speak for the President specifically, but I talked to him about it this morning. And he's very much aware of it. There has been another member of your committee that's also spoken with him. So he's aware of it. We haven't established a specific administration position yet. But you heard where I stand.

Mr. **Roberts**. If I could reclaim my time. Isn't there a Cabinet council meeting as of today or sometime very soon on that very subject?

Secretary **Block**. There isn't one set right now, but we should have that resolved very soon.

Mr. **Roberts**. I would hope, Mr. Secretary, that we could get the administration onboard in behalf of whatever legislation you think would make a reasonable compromise. This legislation is also a litmus test. If we are, in fact, going to move down the path toward becoming more market-oriented, we can't have that kind of protectionism. We can't have it both ways.

Mr. **English**. If the gentleman would yield.

Mr. **Roberts**. Yes.

Mr. **English**. As I understand your position, then, Mr. Secretary, it is that you would strongly support a move to revert back to the position we were in before the court action?

Secretary **Block**. Yes, sir.

Mr. **English**. And you would urge this committee to take action as quickly as possible to carry that out?

Secretary **Block**. I would urge that that be done.

Mr. **English**. Thank you, Mr. Secretary.

I thank the gentleman from Kansas.

The **Chairman**. Mr. Huckaby, if the gentleman would suspend, the Chair might inform the members in relation to the discussion about the cargo preference that the basic jurisdiction on that item belongs to the Merchant Marine and Fisheries Committee. The bill can be drafted where it would have sequential or possibly joint jurisdiction. So we may or may not have jurisdiction until the Parliamentarian looks at the bill.

Mr. **English**. Would the chairman yield?

The **Chairman**. Yes.

Mr. **English**. I would point out that the legislation Mr. Roberts and I introduced was legislation that we had the assistance of Mr. Bor, of course, who is former counsel of this committee, and it's my understanding that it would—from discussions he had with the Parliamentarian—would revert to this committee. So we may indeed have primary jurisdiction on it.

The **Chairman**. That was the information that the Chair was given, that Merchant Marine and Fisheries has basic jurisdiction. The bill can be written where we would have jurisdiction or partial jurisdiction.

Mr. Huckaby.

Mr. **Huckaby**. Thank you, Mr. Chairman.

Mr. Secretary, I have so much to say I hardly know where to begin. It's so much to ask within 5 minutes.

I certainly think that, following up on the lines of the gentleman from Iowa, you showed the extremes of possible farm positions from the mandatory set-asides to your free market type system.

And clearly, to me, under today's circumstances, we need to be somewhere in between.

I think you point out, rightfully so, that two-thirds of the crops are not covered by agricultural programs, but if you look at what we export, the volume we export, the dollars that we export, it's those crops that are covered by the programs. Certainly, the strong dollar has hurt us more than anything else.

Our friends from Argentina are aggressive competitors. They are good farmers. Their peso is one of the weakest currencies in the world. They can even tax 20 percent today and still beat us, because of the artificial strength of the American dollar, not the inefficiency of the American wheat farmer, that has put us in that position.

And it goes on and on. So I have problems with the timing of the proposal that you have before us because of the traumatic impacts that farmers are facing today.

I opened the paper and I read with excitement that you had been speaking earlier about the new GATT rounds. And as I read on and I got to the last paragraph where the Common Market says, "We are willing to discuss agriculture but our system of what we are doing is nonnegotiable."

As we all know, the European Common Market used to be importers, until they subsidized at such higher prices than ours today and dump abroad, and they're saying they're not willing to negotiate changing their position.

You have said that the heart of your program is exports, to get exports going, and you certainly must do that because the example you gave us shows the price of wheat increasing 40 percent in your example, if I compute it right. For wheat to increase 40 percent, we have got to increase exports. We have either got to have a lot of farmers going out of business or something is going to happen that I can't foresee. I don't understand this.

I would ask you, why don't we go mandatory and play tough and hardball to start with in this farm bill, as you did one time with the French and the Egyptians, and show them that we mean business, that we are going to stand behind the American farmer, that we are not going to make the American farmer compete with the Common Market, and then maybe they will say, "OK, we are finally willing not only to discuss but negotiate agriculture?" Would you respond to that briefly, Mr. Secretary?

Secretary BLOCK. I think that we may be positioned where we will find it appropriate to use surpluses to take markets back. But I do not think that we should go a heavy mandatory route. I think that we should do it either before we start with a new farm policy or with a new farm policy after we find that they fail to meet the adjustments that we are mandating that they meet.

I do not think that we want to couple it up with a farm program with mandatory supply control mechanisms.

Mr. HUCKABY. But, Mr. Secretary, you have had this authority for the last 4 years, and we have only used it, to my knowledge, one time, and there are many transactions that occur every month where it could be used because of unfair competition.

Secretary BLOCK. There are other opportunities.

Yes, sir.

Mr. **Huckaby**. Mr. Secretary, your proposal talks about a loan rate of 75 percent of the market value. In cotton, as you know, for the last two farm bills, we have had a loan rate that's 85 percent of market value. There's a big difference between 75 and 85 percent of any one commodity, and I do not think you can show any one instance where we have been priced out of the market in cotton at an 85-percent loan rate.

Would you be willing to set the loan level at this level for the other commodities instead of 75 percent?

Secretary **Block**. No, we believe that we should keep it uniform across the board, and I believe that 75 percent is a reasonable level. I think it's the level that has been established for soybeans. And it's worked well for the soybeans.

Mr. **Huckaby**. Among farmers throughout the Nation, the large consensus is that we need to keep target price protection in this day and age when the farmers are going broke so often. Are you negotiable on this item? Do you feel we have to phase it out in 5 years?

Secretary **Block**. I believe that in the end there will have to be some adjustments, or you will lose control of the cost objective.

I am certainly not interested in going in there and starting to move all the pieces of the puzzle right away that will result in it's costing more than it should. We would not be achieving our goal of bringing down the cost of farm programs and farmer dependence on Government.

I think everyone knows the final bill will not exactly look like what we presented. But it probably won't look exactly like what anybody else proposes. However, in the final analysis, I would hope we could control the costs and move that on a downward plane and phase Government out of agriculture rather than the opposite.

Mr. **Huckaby**. Thank you.

The **Chairman**. The time of the gentleman has expired.

Mr. Emerson.

Mr. **Emerson**. Mr. Chairman, as cosponsor of the Roberts-English bill, Mr. Roberts has indicated that he wants to pursue the cargo preference issue, and I will be glad to yield to him for that purpose.

The **Chairman**. The gentleman may yield.

Mr. **Roberts**. I appreciate my colleague yielding to me, and I won't take much time.

I just wanted to underscore, Mr. Chairman, and for the benefit of my friend and colleague from North Carolina, Mr. Jones, who is a staunch friend of the farmer and of maritime interests, that this is a reasonable bill. We are not in an adversarial role in any way. We do not repeal cargo preference; we keep it with our programs involving Food for Peace and in AID. We do not address the funding issue.

We think that it's extremely important, and it would be referred to this committee. I think we can move without having any kind of a problem in that area.

The only other thing, Mr. Secretary, I wanted to let you know, in terms of the budget freeze that I am talking about, I have a marketing loan concept that I think represents a good compromise where we can reach a more Market-Oriented Supply Management Program. It wouldn't be mandatory, and I think it would, without question, meet a lot of the goals that you want and some that we want. That is the kind of approach I would like to take.

I thank my colleague for yielding.

The **CHAIRMAN**. The gentleman yields back.

Mr. Whitley.

Mr. **WHITLEY**. Thank you, Mr. Chairman.

Mr. Secretary, we welcome you before our committee. It might not sound that way, but we always do.

We don't have a tobacco title in this bill, but I know it comes as no secret to you that that's the commodity I want to talk to you a little bit about.

You have made some recommendations about some possible changes in the Tobacco Program. I think again it will come as no secret to you that I don't share your exact specifics in that program. And as you know, we now have underway some negotiations by which we would try to make the most efficient and economic possible disposal of present surplus stocks while at the same time reducing the support price down to what we consider to be market-clearing levels.

I want to say that we appreciate the extent to which representatives of the Department have been involved in those negotiations up to date. We are at least somewhat optimistic that we're moving in the right direction.

I would just like to ask you, sir, if you support the effort that we're presently making in what we're trying to do?

Secretary **BLOCK**. It's an effort to find a way to reduce these stocks and reduce the price support levels. Under Secretary Amstutz has been closely involved in that, and we're supporting those negotiations that you're involved with and are working with private industry.

Do you have anything to add to that, Dan?

Mr. **AMSTUTZ**. Just to say that we do support those efforts and are trying to be of assistance.

Mr. **WHITLEY**. If we're successful in the negotiations that are now underway, and I assume you know the specifics of them, that would have the full support of the Department?

Mr. **AMSTUTZ**. I don't pretend to be up to date for the last several days but——

Mr. **WHITLEY**. All right. I will give you a week.

Mr. **AMSTUTZ**. Fine. But, yes, we're supportive of this.

Mr. **WHITLEY**. Is it your belief and understanding that the Department can do administratively the things that would be necessary to be done to bring about results for this year?

Mr. **AMSTUTZ**. That's why I hesitated when I said about the last several days. Now we have to be sure that whatever moves ahead is recommended by Stabilization, that there are no glitches in it that would create either a legal problem or a technical problem. But as those have come up, we've addressed them as forthrightly as we can.

Mr. **WHITLEY**. But barring insurmountable legal or technical problems, the Department does support the effort that's now underway? That's what I want to hear you say.

Secretary **BLOCK**. We're working with the industry on reducing those stocks. It takes legislation to reduce the price support levels, and we have some plans on adjusting or changing the program for tobacco. That's a whole different issue as you know.

Mr. **Whitley**. Right. Administratively, of course, we're talking about for this market season, which will begin about the first week in July. We're talking about administrative action to come down to $1.65 or 25 percent assessment of net support price of about $1.40; right?

Mr. **Amstutz**. Yes.

Mr. **Whitley**. OK. I thank you for that assurance, Mr. Secretary. I yield back the balance of my time.

The **Chairman**. I thank the gentleman.

Mr. Evans.

Mr. **Evans** of Iowa. Thank you, Mr. Chairman.

Welcome, Mr. Secretary. Good to have you with us again. You know that you and I have some differences on some parts of this program, but I certainly strongly support the portion relating to exports and expansion of those exports.

I notice that on page 10 you talk about emphasis on the GSM-102 export credits. A moment ago you expressed interest again in using the surpluses and blended credit. It's the administration of those programs that I would like to pursue with you just a bit.

It seems to me that if those are going to be important elements in our Export Expansion Program, that they have to be allocated with the primary emphasis on where they will do the most good to expand our export markets as opposed to other considerations. I am under the impression that at the present time you do not have the authority within the Department to allocate those credits where your people think they will do the most good to expand exports.

I notice, for example, that of the blended credit deals that have been made in the past year or so, they all seem to focus in a certain part of the world: Iraq, Egypt, Morocco. I can't quite imagine that this was a market-oriented decision made by the Department of Agriculture in spite of your strong support for market orientation and mine.

I also note with dismay that within the last week or 10 days we have lost the wheat market to Nigeria, just as we lost the rice market to Nigeria a couple of years ago, in both instances, in substantial measure, and particularly so in this last instance, because GSM-102 credits were not available to Nigeria.

I can't really imagine, in view of the long-term importance of Nigeria in Africa and the fact that it contains a quarter of the people in Africa and is richly endowed with natural resources, that a market orientation of allocation of those credits would result in that kind of a decision.

So what I am saying to you is that I think I recognize that you do not have the authority in this administration to allocate those credits and those programs where you and the market development people think they ought to go.

I am under the impression that you have to get the blessing of the Secretary of Treasury, the Secretary of State, in some instances the Secretary of Defense, and in an administration that now says it is against embargoes, this seems to me that it comes awfully close to the same thing, in that the modern embargoes of 1980 are not saying, "We are not going to ship to a country," but saying, "We're not going to allocate credit." And in this trying time, that's sort of the same.

I don't want to take all the time talking here, but it seems to me it would be appropriate in this farm bill to see that those programs are allocated on the basis of export development rather than allowed to serve other purposes. Any comments you would care to make on that I would appreciate.

Secretary **Block**. Well, I think what you say is true to the extent we don't have full control of those objectives. But I believe we have given those objectives good consideration in our export programs. Although we may not be using GSM-102 to the extent you're talking about in Nigeria for wheat, we're going to use up our $5 billion and that means we're going to sell something someplace.

One other reason why—and Mr. Amstutz may be able to give us a specific on it—is that we may not be moving it to Nigeria is probably their current credit situation which is not quite what it was before.

Mr. **Evans** of Iowa. If I may interrupt since we're getting short, I would point out to you that the Nigerians have come through on every Eximbank guarantee they've had, and their credit rating under this new government is outstanding, and we have permanently lost that market—at least we had until the elevator blew up in Argentina—and maybe that won't be the case now. But I think this is a real problem.

Mr. **Amstutz**. Mr. Evans, the Nigerians this year defaulted on a major sale of U.S. wheat. Wheat made available to them along with some 26 or 28 other hungry nations where we sold wheat out of the CCC inventory at bargain-basement prices to get wheat into the hands——

Mr. **Evans** of Iowa. Again, if I may interrupt you, I don't think that has any bearing, because the reason they did that was that they felt there was corruption involved in that transaction, and that's the only reason. And that's an entirely different situation. I think that ought to be reviewed. I think the loss of that market is atrocious.

Mr. **Amstutz**. We have reviewed that, and I would suggest, Mr. Evans—and I have to be careful what I say—perhaps there is corruption involved in a number of things done in Nigeria.

Mr. **Evans** of Iowa. Well, I think that's very unfair, and I think you have a closed mind on that and it ought to be reviewed.

Mr. **Amstutz**. We will take a look at it.

The **Chairman**. Any objection to giving the gentleman another couple of minutes?

[No response.]

The **Chairman**. Would the gentleman like to conclude his thoughts?

Mr. **Evans** of Iowa. No, I have said enough, Mr. Chairman. Thank you.

Mr. **Amstutz**. We will review it.

The **Chairman**. Mr. Stenholm.

Mr. **Stenholm**. Thank you, Mr. Chairman.

Welcome, Mr. Secretary. What will happen to farm income over the next 1, 2, and 3 years if the farm bill that you have recommended to us today is passed?

Mr. RUSSELL. Congressman Stenholm, net cash income, if we extended current law, in 1986 would be $35 billion. Under our proposal, it would be $32 billion next year. In 1987, our estimate is—it would be about $34 billion under extension of current law. In 1987 under the AAA it would be about $28 billion.

Mr. STENHOLM. So in other words, you are projecting a decline in net cash income over the next 3 years with the farm bill that you have recommended?

Mr. RUSSELL. Yes, sir.

Mr. STENHOLM. Would I be reasonable in suggesting that if we're having tough times today paying our bills, we're going to have even tougher times over the next 3 years?

Secretary BLOCK. If there is no change in the strength of the dollar and if all the other assumptions stay the same, it's not going to be easier, that's right.

Mr. STENHOLM. That's exactly why I personally, and I think the majority of this committee, strongly oppose the bill that you have brought before us, because in our judgment—in my judgment, I will say—it's totally inadequate.

My next question is, will you, Mr. Secretary, have the flexibility to work with this committee to get a bill between the two extremes that we've heard? I think your bill is one extreme. I think you have adequately described another extreme. Will you have the flexibility in the administration to work with this committee over the next several months to put together a farm program that is budget-responsible but not necessarily philosophically pure?

Secretary BLOCK. I am prepared to work with this committee. And we both agree on a program that's budget-responsible. I don't know exactly what we're talking about in terms of "philosophically pure or impure." There are some things that we obviously would not trade away. There are other things that aren't as important, and I am sure we're prepared to talk about them. Right now we think the direction that our bill takes us is the right direction.

Mr. STENHOLM. Mr. Secretary, I want to ask my first question again. If we're having the problems with farm economics today and you are recommending a bill that is going to lessen farm income, do you really believe that is the best answer for agriculture?

Secretary BLOCK. Even under extension of current law, there is a decline. Now, maybe you have a plan that does something different. I don't know exactly the details of it, although I have seen part of your plan. Even under current law, there is a decline in net farm income, in cash farm income.

Mr. STENHOLM. You know, that's what worries me, yes. Under any plan we've got real problems today.

Secretary BLOCK. I think that's true. That's probably right.

Mr. STENHOLM. Under the plan you have recommended, I personally think we've got much more. And I am not going to pin you down on your personal opinion. I know what you're doing here. I think it's very important that the committee understand.

I want to ask you again, Mr. Secretary, because I put in a plug for you yesterday with the President. I asked the President to listen more to you and less to David Stockman, because I believe I see in what you have presented here a little bit more of OMB than I do the Department of Agriculture, knowing you at the table and others as I know you today.

I hope that we will be able to work in a compromising bipartisan fashion in developing legislation that will do the best job we can all agree can be done for farmers and that we will not be hampered by some philosophical objection somewhere down the line in coming to some kind of agreement.

Secretary BLOCK. I just believe, Congressman, we can work together. I think it depends on exactly what the impasse may be when we get there.

Mr. STENHOLM. Yes.

Secretary BLOCK. But we'll try to get by those hurdles.

Mr. STENHOLM. What's un-American or non-free enterprise about supply management? Why is supply management such a bad word in everybody's vocabulary?

Secretary BLOCK. I don't even think it's very popular among the people of the country. You're talking about the Government managing an industry when you get into supply management, and I don't think the Government is very good at managing any industry. I think it would be a grave mistake if we would move toward more Gvernment control as opposed to moving away from Government control.

Mr. STENHOLM. Why do we presuppose that supply management always means more Government control? Can you name me a single business in Washington, DC, that does not practice supply management, or in any other town in the United States, any business that does not practice supply management?

Secretary BLOCK. Privately, certainly supply management is very appropriate. Businesses do it on their own; they make those individual private business decisions. And really, that's the way farmers should be doing it, is making individual private business decisions based upon the economics and the price situation and other factors.

Mr. STENHOLM. But you would agree that there is nothing non-free enterprise about the words "supply management." It's to the degree that Government gets involved that causes the problem?

Secretary BLOCK. I think it's Government involvement that's the biggest problem, yes, sir.

The CHAIRMAN. The gentleman's time has expired.

Mr. Combest.

Mr. COMBEST. Thank you, Mr. Chairman.

Mr. Secretary, you have a difficult job, and I appreciate it. I had one question based on your chart. It's your 1986 chart depicting the 500-acre wheat farm where you're showing a mandatory control of 45 percent and a year's program of 15 percent where you've got a bottom line figure of $35,300 under the mandatory and $37,400 gross income. That does not include any costs of production, does it?

Secretary BLOCK. That's the gross income returns above variable costs.

Mr. COMBEST. It's the gross income. So you're looking at a difference there of 150 acres in production under the two programs.

Under one program you have—well, I am sorry, I take that back—the gross returns were $50,000 versus $56,000. The bottom line figure——

Secretary **Block**. That is returns above variable costs of 35 and 37. Yes.

Mr. **Combest**. It refers to variable costs.

Secretary **Block**. I have the chart here now. Yes.

Mr. **Combest**. Including the costs of producing that 45 percent layout and the costs of——

Secretary **Block**. Producing the——

Mr. **Combest** [continuing]. Producing the layout of 15 percent.

Secretary **Block**. That's right. Yes, sir.

Mr. **Combest**. OK. Second, when you were talking about trying to get back to a level playing field, I think we would all agree that we don't have a level playing field internationally when we're competing with those countries where there is a heavy subsidization of exports. And I believe, if I understood you correctly, you said that in June or July 1986, if there had not been substantial changes, we would be in a position to make some?

Secretary **Block**. We'll be in a position to inflict some pain on those, whoever they are, that are victimizing the American farmer. And I might say to the Argentine Minister of Agriculture that both Argentina and the United States have some of the same problems with the European Community subsidies.

Mr. **Combest**. Was there a specific reason that we're using that date, in 1986? Is it the end of some——

Secretary **Block**. It gives us time to get the bill passed, and allow for a chance for adjustment and change. That's probably the main reason.

Mr. **Combest**. I think, given the surpluses that we have in many commodities now, and the fact of cost of production versus market prices and such things—which I think are quite debatable, certainly different times at least—but given the fact that we have a surplus situation as we do, I think we adequately could fill a lot of markets that we're currently not filling.

Do you think there is a potential that we might could get a little tough out there a little sooner than July 1986? We're looking at another year and a half, you know.

Secretary **Block**. It's always possible. Absolutely.

Mr. **Combest**. That's all the questions I have. Thank you, Mr. Chairman.

The **Chairman**. Mr. Tallon, do you have any questions?

Mr. **Tallon**. No questions, Mr. Chairman.

The **Chairman**. Mr. Olin, do you have any questions?

Mr. **Olin**. Thank you, Mr. Chairman.

Mr. Secretary, I am very glad to have you here today. I am not a real expert in this subject like some of those around the room.

On the other hand, I am a businessman, and I have some feel for what it takes to make something succeed. I have the feeling that the plan that you presented certainly has some good objectives. I am as strong as you are in feeling that we need to make some kind of change, that Government policies have, to a great extent, stimulated the surpluses that we've been living with, the surpluses have been driving the market down, and that's not good.

But at the same time, the plan seems too pat. It seems too simplistic. It doesn't seem to take into account the reality of trying to get from where we are to where we'd like to be. I sort of second the comments of the gentleman from Texas, Mr. Stenholm, that there needs to be some more practical approach in some respects here to deal with the realities of the situation.

I would like just to ask you a few questions. You seem to be making the basic assumption here that the farming community can operate with lower price levels than they are now getting, successfully over the long haul. You are really making the assumption then that they have the capability to lower their costs, so that as they go for more volume, either by planting total acreage or by exports or so on, they're going to benefit by that volume. Is that your basic assumption?

Secretary BLOCK. That's part of the assumption. It is true that per-unit costs will be lower with more produced and sold.

Mr. OLIN. Do you think it's likely that most farmers can get base costs down; that is, fixed costs? Is that part of your——

Secretary BLOCK. The fixed costs, whether we like it or not, in agriculture, a lot of them have come down because of the value of land has declined substantially. We may not like what we've seen, but it's already happened.

Mr. OLIN. You are really saying then that the people who have inflated land or bought inflated land are going to have to dispose of the land, somebody else is going to have to buy the land. So somebody has got to manage his way into lower base costs to make it and the other one is basically going to go under. Is that about what you're saying?

Secretary BLOCK. There are a lot of people that own land and have a certain fixed cost in it but they don't owe a lot of money on it, so when it comes down, the truth really is they have a lower fixed cost and it hasn't hurt them.

The person that does owe a lot of money on his land and then the value of it comes down is in worse shape since he's paying interest costs that do not come down. It is possible that he may have to sell off part of his land, if he can. There are some parts of the country you can't hardly sell land right now.

Mr. OLIN. Yes; an awful lot here hinges on the understanding of that question.

Secretary BLOCK. That's right.

Mr. OLIN. It's quite possible that having produced for surpluses for so many years, that there are some management practices that have produced higher than optimum costs. It could be. I don't really have a good fix on that. But if that is the case, it'll help. If it's not the case, we're heading for some real trouble.

Let me ask you one more, and I don't want to use up all my time here. To what extent are you counting on expansion of exports to really help solve this farm problem? How big a factor is that to you?

Secretary BLOCK. It's a significant factor as the charts would indicate that our exports will grow if we can be and continue to be competitive in international trade.

Mr. OLIN. You're calling for about a 50-percent increase in exports in 5 years, something like that, if I read the chart right.

Secretary Block. That's probably about what it was.

Mr. Olin. How are we going to get those exports?

Secretary Block. We're going to get those exports by being competitive. In the first place, I think we'll be positioned where we can take back some of the markets we've lost simply because we've been uncompetitive.

Second, if we don't have a guaranteed umbrella price for everybody in the world to shoot at, there'll be less inclination for other countries to expand their production.

Mr. Olin. Do you consider the prices in here at today's value of the dollar will be competitive in world markets? You have got a couple of pages of price predictions.

Secretary Block. Yes, we'll——

Mr. Olin. Take wheat, for example, wheat is going to be $3 a bushel. Is that going to sell on the world market?

Secretary Block. We are assuming that those prices will make us competitive and that we are also in our assumptions assuming that the strength of the dollar will come down over a period of 5 years about 20 percent. Obviously, we don't know exactly what will happen, but that will help us be more competitive. And of course, if it doesn't happen, we've got other kinds of problems.

Mr. Olin. If I might make just a short suggestion—my time is up—but we really need to understand what assumptions you've made with regard to the foreign markets so we don't make the same mistakes we made in the past of overestimating that potential.

Secretary Block. That's a good point.

Mr. Olin. Then it could really be a problem.

Thank you, Mr. Chairman.

The Chairman. The time of the gentleman has expired.

Mr. Schuette.

Mr. Schuette. Thank you, Mr. Chairman.

Good afternoon, Mr. Secretary. Glad you're here. I wanted to express my questions and concern over the trade title in your proposed bill, Mr. Secretary. I think many people in this room would agree that a market orientation is a worthy goal and a proper objective over time. I think the question is how you get there.

And second, the farmers I know best are the ones in my district, and the biggest problem is the tilted playing field against farmers trying to compete in international markets, because the world marketplace is not fair and it is not truly market-oriented, because we have to compete against European countries, foreign competition that heavily subsidize their agriculture both in world markets and on our shores.

And because of that, I think that July 1, 1986, target date that was in your proposal ought to be speeded up and encouraged for us to take tough measures and stern measures sooner to tell our foreign competitors, one, what we as a Nation will be; and, two, I think it would help us domestically in terms of making some steps and some progress toward the goals that you have set out.

So I wanted to share that comment with you. And even though you did make some comments to Mr. Combest's question, are there no ways that we could act sooner and sterner and tougher earlier than July 1, 1986?

Secretary **Block**. I think it could be changed if all parties were willing to agree. But keep in mind that I rather doubt if this legislation would become law certainly before late fall, if not later. I recall the last time it was the first of the year before we got a bill, and I do believe it's necessary to give a little time after you get the bill until the time the trigger date when they must have made some adjustments in their policies in the countries that we're prepared to challenge. But I also understand the reason to be anxious about quick action.

Mr. **Schuette**. I just wanted to express to you, I think, some concerns of Mr. English and Mr. Roberts, be it cargo preference or other trade elements in that bill, I think we need to act soon and I think that we ought to take some tough, stern measures.

The other question I have before I use the balance of my time, I agree with you that we should have a budget-responsible farm bill. I do have some problems with the sugar element of the proposal which impacts farmers in my district, because the only measure of stable income the farmers have had in mid-Michigan has been the sugar legislation that we have to date.

The falling prices and the rest of the scenario that you're familiar with, the sugar legislation vis-a-vis the world market, the cheap labor and cheap sugar prices sure hurts the sugar beet farmer in Michigan. And your proposal would ratchet it down to 12 cents from the existing 18 cents. Do we have any flexibility there, because it is more of a quota, not an outlay in terms of expenditure with respect to the budget?

Secretary **Block**. I don't think that we can single out a program because it has unique problems. The result is everyone keeps wanting to be given some kind of special consideration. And I can understand the concerns of sugar. But what's happening with the sugar is that it is priced at such a high level that corn sweenteners are coming in and doing a job on sugar, taking over the market.

We're tightening down our quotas on imported sugar, trying to keep sugar out, and we're just getting ourselves into a deeper hole all the time. And it is true, world sugar prices are cheap. But it's also true that some of these countries are able to produce sugar at a very low price. They're not subsidizing it. They can just produce cheap sugar. And you know, we need to give them a chance to sell more of it than they're selling now. I just think that's the way it has to be.

Mr. **Schuette**. Mr. Secretary, thank you for your time.

I yield back the balance. Thank you, Mr. Chairman.

The **Chairman**. I thank the gentleman.

Mr. Penny.

Mr. **Penny**. Thank you, Mr. Chairman.

Secretary Block, I want to get a couple of questions out of the way on the credit issue before I move on to the farm bill.

Would you say that the participation in your credit initiative, the guarantee loan program has been lower than your expectations to date?

Secretary **Block**. It has been lower, and we had hoped it would be more aggressive than it has been to date. We did make an announcement today that I think may improve the participation, and that announcement made it easier and faster in processing these applications because we opened up the opportunities for the PCA's and land banks, more or less a blanket opportunity for them to become approved lenders so they can start taking advantage of it. And we also changed some of the rules on the banks. It's a modest change, but it will make more banks eligible than we had had eligible before.

Given the fact we have not seen the aggressive utilization of this program, we have been doing more checking and recently checked with the Iowa bankers. And they just ran a survey yesterday composed of 350 bankers, and they found that those bankers do intend to use the program and it looks like the 350 banks propose that they were prepared at this time maybe 710 applications. So that's pretty good, and when you boil it all down, it looks like in a State such as Iowa we may well end up with as many as 1,000 applications. And now we're starting to see what we had hoped initially.

Mr. PENNY. Mr. Block, is that 710 applicants out of 350 banks in Iowa based on the change in the approved lender policy?

Secretary BLOCK. No; that's before the policy was announced.

Mr. PENNY. So you anticipate even more may come in?

Secretary BLOCK. I think it will make it work better now, even.

Mr. PENNY. You may or may not recall that bank groups and farm groups ever since last September, when the program was first announced, and I think ever since a year ago in May, ever since the approved lender program was announced, have been urging that you change the criteria for banks and PCA's and land banks to participate in that. Why did it take you so long to recognize that changing those criteria were essential to make the program work?

Secretary BLOCK. Well, in the case of the PCA's, there was not a great demand on their part to become involved, in all honesty. But as we've approached this credit problem and as they've come to realize that they and their farmers might benefit from this guaranteed debt adjustment program, they have decided that they're prepared to participate. And it really was just today that they said they're ready to go with it.

Mr. PENNY. Are you prepared to make any projections about the aggregate number of loans that we might see approved within the next couple of weeks?

Secretary BLOCK. Under Secretary Naylor may have something.

Mr. NAYLOR. Within the Farmers Home Administration we have already completed loan action on operating loans for some 32,000, almost 33,000.

Mr. PENNY. No; I am talking about the guarantee program alone. The operating loan is a separate problem because we're running out of money in Minnesota and some other States, based on our first quarter allocation. But on the guarantee program alone, we only have three guarantees in the State of Minnesota. Are you prepared to make any predictions about how many loans we might see guaranteed within the next couple of weeks?

Mr. NAYLOR. Based on the actions of the Minnesota Bankers Association as well as some of the State legislative actions, I think you will see a very substantial increase in Minnesota, but we do not have a current survey from their banks to indicate how large that number may, in fact, become. But we expect a substantial increase in guarantee activity.

The CHAIRMAN. Would the gentleman yield?

Mr. PENNY. I will yield.

The CHAIRMAN. Thank you. I will give the gentleman additional time.

I wanted to ask the Secretary, or Mr. Naylor—the President, when he vetoed the emergency credit legislation, mentioned the $650 million. He said the farmers have not availed themselves of this program, and that only $25 million has been picked up. Does the farmer have the option, Mr. Naylor?

Mr. NAYLOR. No, sir, the——

The CHAIRMAN. Does the Government have the option?

Secretary BLOCK. It's the bank's option.

The CHAIRMAN. The farmer doesn't have the option?

Secretary BLOCK. The farmer can ask for it, but the bank is the one that has to go for it.

The CHAIRMAN. The Government doesn't have the option?

Secretary BLOCK. No.

The CHAIRMAN. You don't have the option?

Secretary BLOCK. No.

The CHAIRMAN. The farmer doesn't have the option, and a third party has the option?

Secretary BLOCK. That's right.

The CHAIRMAN. It was not fair for the President or anyone else to say that farmers have not availed themselves of a program when they don't have the option. Even though he is a participant, if the banker says, "No," the farmer has no recourse. You or the farmer can't do anything about it.

Secretary BLOCK. Mr. Chairman, the farmers are coming in to get direct loans from us, and that is their option.

The CHAIRMAN. Direct loans.

Secretary BLOCK. Direct loans.

The CHAIRMAN. We're talking about the guarantee. But not the guaranteed loans. How many direct loans have you made?

Mr. NAYLOR. 32,000 almost 33,000 completed as of the 15th of this month. That's about 130 percent of the rate a year ago.

The CHAIRMAN. What was that?

Mr. NAYLOR. That's about 130 percent of the rate of lending activity a year ago, with 189 percent in loan volume of where we were a year ago, a record, Mr. Chairman.

Secretary BLOCK. But that's one of the problems, to be quite honest. A lot of the banks are looking at their borrowers, and they're saying, "Well, I am a little concerned about this borrower, and I don't know, maybe I can get the Farmers Home Administration to take him," and they send him over to us, and we get more and more.

The CHAIRMAN. So you're admitting that your program isn't working and it isn't working because you gave the option to a third party.

Secretary BLOCK. No; I won't. I won't admit that it's going to work at all, Mr. Chairman.

The CHAIRMAN. The guarantee?

Secretary BLOCK. We're predicting that the guarantee program will work and that if the States follow through like it looks like Iowa is starting to come into focus here, that means maybe we'd have as many as a 1,000 qualified in Iowa, and that looks pretty good.

The **Chairman**. I hope it works, but it hasn't up to now. The President said it wasn't working, and I am not going to challenge him.

I yield the gentleman an additional minute.

Mr. **Penny**. I might just conclude by thanking the Secretary for taking another small step toward making the approved lender program and the guaranteed loan program work better than they have worked to date. My only fear is that with just a few short weeks before spring planting, this might be an example of too little too late. There is an awful lot of farmers that will not get the assistance they need this year in spite of your latest effort.

We have in Minnesota a number of people that applied for other loans through Farmers Home, operating loans, ownership loans as long ago as last October and November being told that there is no money for them now for this spring. They ran out of money for this quarter. Assurances were given us in the past by you, Mr. Secretary, and your associates that we'd get enough money out there to handle these programs for this year. It doesn't do them any good if the money comes in the second quarter. What are we doing to get the money there in the first quarter?

Mr. **Naylor**. Mr. Penny, there is no shortage of funds. All loans in all States are being processed on a timely basis. We do have management of our funds at local offices as a means of management operations, but no loans that have been completed and sent in for obligation have been delayed, nor will they be.

Mr. **Penny**. I might just mention that I know of a number of examples where people who applied in November are told either that they have to wait until sometime in April before their loan will be processed—and it seems to me an awfully long wait; that's not a timely response—or that money is going to run out before they get as far down the list as that particular individual. I am troubled by that kind of thing.

Mr. **Naylor**. Mr. Penny, I am aware that we have had offices do that. We have strongly reprimanded any of our supervisors who make statements of that nature, because they are not accurate with regard to operating loans. I would candidly say to you that if you're addressing ownership loans, we do have a limited amount of funds, they are allocated on a quarterly basis. We will not supply all the funds that might be desired by some.

Mr. **Penny**. Mr. Chairman, I see my time has run out.

I would only echo the concerns that others have raised about the short-term ramifications for agriculture under a farm bill such as the one you have suggested. We have got to find a way to get from here to there, and what I mean by "there" is better world markets, a lower value of the dollar, and a more market-oriented farm structure.

But what we do in the next 2 years decides what kind of farm system we're going to have a few years down the road when those better conditions exist. I think Mr. Olin and Mr. Stenholm and others have made it adequately clear that under the approach you've suggested, we may have some people get there but we're going to lose an awful lot of good family farmers along the way.

And for that reason, we would invite you to work very closely with this committee as we try to find a bridge between here and that goal that we're all trying to achieve, a bridge that will help the family farmers out there, many of them who are financially distressed this year, make it until a few years down the road when we've got a better farm situation.

The CHAIRMAN. I thank the gentleman.

Mr. Panetta.

Mr. PANETTA. Thank you, Mr. Chairman.

Mr. Secretary, I would like to draw your attention to the report on financial condition that came out of your Department in March 1985. The conclusion was that among 679,000 family-size commercial farms, as of January 1, 1985, 229,000 owing about 46 percent of farm debt, had financial problems ranging from difficulty in servicing debts to technical insolvency.

Is there anything that you know of right now to change those numbers?

Secretary BLOCK. To make them improve over a period of time, is that what you're suggesting, Congressman?

Mr. PANETTA. I am just saying do you have any information that would change those numbers, or are those basically the numbers we're dealing with right now?

Secretary BLOCK. That's the latest information, and that's the situation that we're dealing with today.

Mr. PANETTA. All right. Now, if over the next 2 years we implemented your program and we would have a reduction in farm income as a result of this program in 1986 and 1987, as you have testified, what is it going to do to those numbers?

Secretary BLOCK. I don't have any specific numbers on that. But I think if you're looking at a reduction in net farm income, there is going to be continued pressure on farmers that are suffering serious financial problems. But if we stay with the current law, we're going to look at a decline in net farm income.

Mr. PANETTA. I guess the problem I have is that sometimes when we talk about budget constrictions, we always like to talk about areas in narrow terms. I mean if we're impacting on 229,000 families and the likelihood is that if their income is going down—maybe you can't say it, but I can—the likelihood is that we're going to drive a lot of those families into bankruptcy or insolvency.

We don't get rid of that cost. I mean the cost is going to be picked up by the Federal Government one way or the other. It's either going to be picked up on welfare costs or food stamps or it's going to be picked up on Medicaid funding or it's going to be picked up on unemployment compensation. It's going to be picked up somewhere. We're going to pay the bill for families that go insolvent. Isn't that correct?

Secretary BLOCK. That's probably right, whatever industry you're looking at.

Mr. PANETTA. I know. But you know, if we're going to propose legislation that winds up impacting on a situation that's already serious, then I am trying to project how are we going to pick up the pieces over these next 2 years. I mean it may well be that that black line will go up, but there aren't going to be very many farmers that are going to enjoy that black line as it goes up. That's the problem we're dealing with.

You know, nobody has said it here. Maybe I ought to say it. But your bill is dead on both sides. It ain't going anywhere. And I think it's to your benefit to try to sit down and try to negotiate some kind of approach here that isn't just going to stick it to people. I mean I think that's the point. We're not going to be responsible for that kind of approach. Nobody is going to vote for that kind of approach. And so that's what you're facing; that's the reality.

If you want to negotiate, if you want to try to go over this interim and try to develop an approach that makes sense, then I think there is a great deal of willingness here to do that and do it in a way that moves us toward a market-oriented agriculture. I don't disagree with that. But you can't do it in the way that you're proposing here. Nobody is going to support that.

We're not going to do it. And so as a result, I just think it makes a lot of sense for you to try to indicate some flexibility. You said there are some nonnegotiables. I would be interested to know what your nonnegotiables are.

Secretary BLOCK. Well, Congressman, the nonnegotiable items are the principles we're talking about. Principle one is finite cost control that we can all agree that we're going to have to save so much money in farm programs as we save money everywhere else to address the budget deficit.

And principle two is we need to move more away from Government, not toward Government, and we need to do it in a way that will make American agriculture competitive in international trade so we're not losing markets but we're gaining markets.

There are others, but those are really key principles, and they really can't be negotiable. And I don't think you would want to go against those either, myself.

Mr. PANETTA. All right. You have just indicated broad principles that probably most people here would agree with. But it's the particulars, and that's where I think we need to get down to those.

Secretary BLOCK. That's the business we're in is writing a farm bill, and we're going to have to address some details.

The CHAIRMAN. The time of the gentleman has expired.

Mr. Secretary, we cannot agree more strongly with you, but if you, our friend and spokesman in the administration, don't give us credit, I don't know who will.

This committee has been responsible. We gave you $29 billion in 4 years, and even the President said last year this is the first down payment on the deficit. The House and Senate Committees on Agriculture have been responsible, and no one can point a finger at us. We have given you almost $30 billion in 4 years.

We are told we have to take the Government out of agriculture. Fine. Take the minimum wage off. Take OSHA. Take FIFRA. Take EPA. Take away the programs that increase the cost of production and makes us uncompetitive in foreign markets.

If I adopt your philosophy, you must take away the burdens that Government imposes. Not that the programs are not good and salutory items to have for the benefit of all, but why insist on programs, when you try and help the farmer, that are making him unproductive and uncompetitive. I am not arguing about minimum wage, but it places a cost on the farmer. I am not arguing against OSHA, but they had regulations that you have to have a seatbelt on a tractor.

With regard to FIFRA, if a poor farm lady went to the hardware store and bought a bottle that said "For red ants and brown ants," and she used it on white ants, she could have gone to jail or paid a fine because it was "use inconsistent with the label."

So enlarge your bill and I will support a bill to take away the minimum wage, to take away OSHA, to take away FIFRA, to take away EPA, to take away water pollution, to take away clean air, clean water, and then we have pure philosophical agreement.

We can go forward together, shoulder to shoulder.

Secretary **Block**. Then I would be able to wear one of those hats from the committee, wouldn't I, Mr. Chairman?

The **Chairman**. I have it in my safe waiting for you. [Laughter.] Mr. Franklin.

Mr. **Franklin**. Thank you very much, Mr. Chairman.

I too want to welcome you, Mr. Secretary. I want to take the first part of my time just to respond to the invitation that was issued to you earlier by Mr. Bedell from Iowa, and say that I want you to continue probably in the toughest job that any American has ever been asked to do for Government at this point in time and to continue in the fight to put profitability back in agriculture, which the vast, vast majority of the Members in this room that sit on the committee know that you are sincerely trying to attempt.

However, I will have to say, Mr. Secretary, that the proposal is a little bit difficult for some of us who feel that way toward you to sell. It seems that the proposal takes us in the right direction, but it asks the farmers to take away a lot. It takes away a lot from the farmer, and it gives him nothing in return except for some hope in the future that we're going to expand our markets and that we're going to move our products.

In that regard, I would just make some assumptions, and if you would, follow along with me. Let's assume that your bill passes, and let's assume that it's now July 1986. And let's further assume that no progress has been made with our trading partners or with the world markets. The markets remain closed to us. Our U.S. share is declining as the trend now continues. The EC keeps subsidizing. The strong dollar still exists in the world and surpluses are accumulating here in the United States.

In other words, assume the conditions that presently exist in 1985, and it's now 1986. Under the bill you, or at least the administration, is directed to present a plan to this committee or to the Congress for action to ward off those things that I just described. Please, if you would in as much detail as you can, based on those assumptions, tell me what your plan or recommendation to the President would be that would be submitted to the Congress.

Secretary **Block**. I don't think that we want to try to specify exactly what we would do. But I think it would probably include a combination of two things. On the one side we'd be obligated to use some of our surpluses to go out and take some markets, to inflict some pain in that way.

On the other side, we probably would have to take a serious look at something to be done on the home front in response to the export subsidies, maybe that would be to deny the entry of some commodities that those countries are producing. That might be another logical consideration.

So I don't think I would spell it out now. I think for those countries that might be positioned someplace down the road to be on the receiving end of that action, I think it's better that they not know exactly what to expect at this point in time.

Mr. **Franklin**. Looking at the difficulty that you probably are going to have in selling this concept to the vast number of American farmers out there who are going to have to kind of agree on something and we in this committee are going to have to agree, would you be objecting then to placing in the bill some specific things that we will do if things don't improve based on the passage of your bill or something like it or a compromise proposal, such as some of the things you just described? Could we put it in this legislation that we're starting to draft here in Congress?

Secretary **Block**. I would have to look specifically at what you would propose to put in the language, but I will take a look at it.

Mr. **Franklin**. It would be a whole lot easier for us to sell, Mr. Secretary, if we could go back home and say, "This is what the United States of America is going to do as far as world markets are concerned. We are going to move our products and this is how we propose to do that. We propose A," and specify what we're going to do, "B, this is what we're going to do," so that we as the strongest Nation in the world can tell the rest of the world that, "Here we come, get ready."

I really do believe that that's the way we should go, and I think that's the way this program that you are trying to design will take us. I don't think we can get there without some kind of bridge.

I would like this administration to say, "Here is what we're going to do, world, we're going to move this product," and I would like you to be specific about it. And I think that some of us on the committee are going to try to put some of those specifics in there.

Thank you, Mr. Chairman.

The **Chairman**. I thank the gentleman.

Mr. Bruce.

Mr. **Bruce**. Thank you, Mr. Chairman.

Mr. Secretary, you are certainly aware of the State of Illinois, since both of us come from there. I had a chance to meet with the State director of the Farmers Home Administration on the 8th of this month. He indicated, under the Loan Guarantee Program—before we get into the 1985 farm bill—that in the entire State of Illinois seven loan guarantees had been made. Would you call that a success, given the fact that the State of Illinois is one of the major agricultural producers as States in the United States?

Secretary **Block**. No, we haven't succeeded in that regard yet.

Mr. **Bruce**. When do we hope to succeed?

Secretary **Block**. I think we're going to see a great amount of activity in the next 3 weeks, for a variety of reasons. I believe that the lending institutions are finally deciding that this is the only game in town and it's time to get at it. The Approved Lender Program probably being extended is going to help some, too, by making some PCA's eligible to be approved lenders. And that should help. I think we're going to see some real action on that front.

Mr. BRUCE. Real action when?

Secretary BLOCK. Well, real action in the next 3 weeks.

Mr. BRUCE. By your own words, you said that today's action was modest at best.

Secretary BLOCK. You know, you can't guarantee there will be action on it. But just keep in mind, this program is the program the bankers asked for. They all agreed with what we put out last fall, and they stood right beside me shoulder to shoulder in the Department of Agriculture and cheered for what we did. And then they didn't go with it. They said, "Well, we need a few more adjustments."

OK, we made new adjustments, and we made exactly the adjustments they've asked for. And I believe it's about time they went to work on it. And I think they will. But I do believe that they need a little bit of pressure and they need a little bit of encouragement.

As I talked to the President today about this, he was asking me about it. And he said that he's disappointed, as I am disappointed, that the banking institutions have not picked up on it more aggressively to date. But I still hold out hope that they will use it.

Mr. BRUCE. Do you plan that in Illinois we will have 14 loan guarantees by the end of this month?

Secretary BLOCK. There will be more than that.

Mr. BRUCE. Do you want to give me a figure? I mean I am just curious.

Secretary BLOCK. I couldn't give you a figure, Congressman.

Mr. BRUCE. Could Mr. Naylor give me a figure?

Secretary BLOCK. I don't know. He might hazard a guess. He's brave.

Mr. NAYLOR. No, sir; I won't hazard a guess. The program that the banks have is a good program and they know it. And they've said so. It is up to them to make use of it. What they have done is moved a good number of their borrowers over to us as direct borrowers. The number of new borrowers we have coming to Farmers Home this year for operating credit is up substantially, which is indicative that the banks in some areas, including yours, instead of staying with customers are pushing them over to the Farmers Home Administration instead, and we have been making those loans.

But we feel there is an obligation of the banks to stay with their borrowers, and we are receiving increasing indications that they made the decision as we thought they would do and have testified a number of times. They will wait till the end of the lending season to make that decision on their marginal borrowers, but in the end they will stay with them and in substantial numbers will use the guaranteed program available to them. We hope they will. We hope you will join with us in encouraging them to do so.

Mr. BRUCE. And so my phone calls from my bankers, they want your help and so do the farmers.

On the 1985 farm bill, you mention in your testimony that you held hearings throughout the United States, met with various farmers, and they had one common overriding theme, that the current agricultural programs are not working. I wonder—but you didn't say in your testimony, in all those hearings was there any single farm organization or group of farmers that came forward with this proposal?

Secretary **Block**. They weren't really bringing in concise or complete proposals. And to be quite honest, most farm organizations or commodity groups usually have a little special program for their commodity group, but they want everyone else to bite the bullet. And some of the general farm organizations had varying types of programs.

There isn't anyone that agrees with our whole program, but there isn't anyone that agrees with anyone else's whole program either.

Mr. **Bruce**. I am just curious. I have more Farm Bureau members in my district than any other Congressman in the United States. They tell me that's how many I have got. I haven't had a single Farm Bureau member call me and say, "Vote for the 1980 farm bill as proposed by Secretary Block." What should be my answer to them as to how we're going to work our way out and respond to the largest farm organization in the United States?

Secretary **Block**. I think that you just need to ask them if they do not indeed support a movement away from Government, I think they will say, "Yes," they do, because I think I know those farmers as you know them and I think they will also say they're looking for some budget control. They know that we can't keep spending more money every 4 years on farm programs. If they come along and say that, as I am convinced they will, I think we're positioned to where we can work on a farm bill.

Mr. **Bruce**. On your charts 10 and 11, you put forward a theoretical 500-acre wheat farm. In your testimony before the U.S. Senate Agriculture Committee you indicated through 1991 you did not see any dramatic change or increase in farm prices. Yet, on the chart you have shown this committee, the prices you're showing for wheat in 1986 are substantially above current market prices. Can you explain the inconsistency between your testimony before the U.S. Senate committee and this committee?

Secretary **Block**. I don't understand that, as it is the same testimony. Maybe I said something different one time or the other. The charts are the same.

Mr. **Bruce**. Did you not testify over there that between now and 1991 you saw no substantial change or increase in farm prices?

Secretary **Block**. By 1991 we're looking at strengthening prices.

Mr. **Bruce**. But not dramatically different from what they are today, as I understood the testimony.

Secretary **Block**. Yes; not from where they are today.

Mr. **Bruce**. All right. That's my point. Market price today, as I understand it, on wheat is $3.08. Your chart in 1986 shows $3.50 per bushel on wheat. A pretty dramatic increase in 1 year. If you say that there's not going to be a dramatic increase between now and 1991, what happens between today and 1986 to make that testimony consistent?

Secretary **Block**. Without going back and referring to the chart it is difficult to recall.

Mr. **Bruce**. It's $3.50 next year, according to the chart.

Mr. **Russell**. The $3.50, Congressman, relates to 1991.

Mr. **Bruce**. Well, maybe we ought to go back to Don Quixote. [Laughter.]

The **Chairman**. Charts are the enemy of truth. [Laughter.]

Mr. **Bruce**. Thank you, Mr. Chairman.

The **Chairman**. Who took away the charts? [Laughter.]

Mr. **Naylor**. They're over there.

Secretary **Block**. We didn't want to fight against truth, Mr. Chairman.

Mr. **Bruce**. Thank you, Mr. Chairman.

The **Chairman**. I thank the gentleman.

Mr. Smith.

Mr. **Smith**. No questions, Mr. Chairman.

The **Chairman**. Mr. Jeffords.

Mr. **Jeffords**. Thank you, Mr. Chairman.

Mr. Secretary, I want to commend you for your endurance and the tremendous cooperation that you have given the whole committee over the years. In the time that I have been in Congress, I have never seen any Secretary of any agency saddled with as many problems not of his own making, both international and national, who has done so well in trying to work with us.

I understand the parameters that you're given to work within. I want to say that I am sure you share with me a joy that the Dairy Program did reach its goals of reducing the cost to the Government. And I want to make a pledge to you, and I know I speak for the committee and for the industry, that we want to continue to reduce the costs of the program and to meet those goals which you have described. I am confident that if we have the same kind of cooperation from you and the other body that we had last time in developing the dairy program, we will be able to meet those goals.

I certainly pledge again to work with you to not only do as well as we did last time, but to do better.

I will give you the rest of my time to make any other comments you might want to make.

Secretary **Block**. I just applaud your statement, Mr. Jeffords. Thank you.

The **Chairman**. Mr. Glickman.

Mr. **Glickman**. Thank you, Mr. Chairman.

Mr. Secretary, first of all, I want to take issue a bit with what my colleague from Iowa said to you. I know it was stated in the best of sincerity that he could. I think he gave you a bum rap. And I don't agree with your program. I also don't think that you're the captain of the team. The captain of the team is the President of the United States. He's the one setting the direction of this country, and you as a loyal soldier are carrying it out. I think it's unfair to call for your resignation.

I don't think it's unfair to attack your program, but I think it's unfair to attack somebody who is not the captain but a halfback or an end or a fullback in the process when you're relying on the plays called by somebody else.

I think that too often you get the brunt of farm policy adversity and people who are upset about U.S. farm policy, when in fact, while you are the chief administrator of farm policy, the chief policymaker is not you, it's the President of the United States. You are carrying out his farm policy, is that not correct?

Secretary **Block**. It's his farm program, yes, sir. It's my farm program, too. It's the whole administration's farm program.

Mr. **Emerson**. Would the gentleman yield?

Mr. **Glickman**. Yes.

Mr. **Emerson**. We had a little bit to do with it, too, down here.

Mr. **Glickman**. So far, not very much, my friend.

Mr. **Emerson**. The farm bill of 1981.

Mr. **Glickman**. But I am talking about the 1985 farm bill. I think that to focus the blame on the Secretary of Agriculture is a bit misplaced. We all know that much of the program is being written in other places and there are other pressures, as there always are in a democratic form of government.

So while I don't exonerate you from responsibility, neither do I find you the culpable party. And I just wanted to make that clear from my point of view.

Now I would like, if possible, to characterize your farm bill. Your farm bill is basically, as I see it, low prices—you say in the short term—but lower prices in the short term with the hope that we will rely more on the export market by being more competitive, which means getting prices down. In the process, I assume you hope for cost of production decreases in a deflationary atmosphere. And you also state that you see some shakeout in agriculture in the process. Is that a fair statement of your policy?

Secretary **Block**. I think it's fair. We will see some productivity increases in this whole process, yes, sir.

Mr. **Glickman**. OK. The problem with that is that is based upon, one, an acceptance of the shakeout in agriculture. And as you have heard from people like Mr. Panetta and others, we think the shakeout is going to be a heck of a lot bigger than what you might otherwise accept. In addition to that, it implies that there is free and open access by foreigners to our products, when there isn't at all. It implies—you stated in your testimony that we have a strong dollar that will be going down. But the President of the United States at his last news conference was a big supporter of a strong dollar, and it looks to me like we're following U.S. policy that pushes a strong dollar, not a weak dollar.

Then, to top off the dessert, we have U.S. policy which does not even approach any degree of reciprocity in the export market. Example, the United States decides to let every darned Japanese car into our markets, and we get nothing in return, not one ounce of beef, not one orange—now, I know we're working on it—but certainly nothing reciprocal with respect to that decision.

What I am saying is that your whole policy is based upon a foundation which is nothing more than a false house of cards. It's all going to fall down. I mean I hope that I am wrong, but as a reasonable, responsible—I was going to say personally as a reasonable, responsible person, that's a self-compliment--but I would say that as I look at this situation, it doesn't look terribly likely to happen.

I am going to give you a chance to respond because I am trying to be as kind to you as I can in the process.

As Mr. Stenholm mentioned to you, if these things don't work out as planned and your scenario is not as you would like to see it in a kind of a hypothetical free-market atmosphere, we're going to have surpluses and carryovers that will make the existing ones pale in consideration to what we will see in the future.

That's why I say two things. One, your plan does not seem to generate much support here on Capitol Hill—you see that as well as I do—and that any plan that we come up with is going to have some supply management orientation to it. And I think we can develop that and still be cognizant of the free market principles that you're talking about.

But all we're saying to you is that your foundation for your plan is not based in the real world. It's a good wish list of what it would be nice to happen in the world. But that's not the way the world operates.

Do you have any response?

Secretary **Block**. There has been a shakeout in agriculture for 50 years. We had, in the 1930's, 6.8 million farms and we are now down to 2.2 million farms. And this is probably going to continue at some rate. I don't know what the rate will be. We don't want the rate to be excessively fast. But I don't think, whether we adopt our farm program or your farm program or we have a continuation of the current farm program, I don't think it will make a lot of difference in just how that shakeout continues, frankly.

Mr. **Glickman**. Mr. Secretary, I just have to disagree with you. We're not just talking about the farm program here, we're talking about all of small-town America. We're talking about the fact that we're losing hospitals, we're losing schools, we're losing stores, we're losing people from that part of the country. We're developing in some cases kind of a wasteland. It may not be as bad in Illinois as it is in Kansas, North Dakota, South Dakota, and Nebraska, but this is affecting the viability of people who don't live in big cities. And as a matter of social policy I don't think it's a good idea.

Your program is strictly a market-oriented economic program. It may look nice on paper, but as it affects people's lives, it's not very compatible with the system in this country in which we're preserved a way of life over these years and, as a social policy, I think we should preserve.

The **Chairman**. The time of the gentleman has expired.

Mr. Lewis.

Mr. **Lewis**. Thank you, Mr. Chairman.

Mr. Secretary, let me say thank you for having the intestinal fortitude to stay there and answer the questions you have, and I certainly commend my colleague from Kansas on his statement. I am very distressed that the gentleman from Iowa had to make the statement that he did. I don't think you're deserving of that, Mr. Secretary.

I do want to tell you that the people of Florida, after a devastating freeze and the problems with their vegetables and citrus, have been severely handicapped, and it's handicapped the agriculture industry of Florida. The diligent work by you personally, by your Department and staff in meeting the needs of the State of Florida were tremendous. And I want you to know the people of Florida appreciate that.

I also want to say to you that tough times never last but tough people do, so you're going to have to hang in there and hang tough, because this is going to be a very difficult year. You're the Secretary of Agriculture and unfortunately you're going to bear the brunt of 50-some years of the problems that have been created and try to straighten them out.

We do have a problem with one portion of the farm bill that I would be remiss if I didn't raise, and that has to do with sugar, as Mr. Schuette had raised to you. We're very much concerned about that because it's a program that doesn't cost the Federal Government one dime and it hasn't cost them any money since the establishment of the current sugar program.

We're concerned about doing away with a program that doesn't cost the Government any money, employs over 300,000 Americans and guarantees stable domestic sugar prices. I would like to know why it's targeted for drastic revision.

Secretary **Block**. It's targeted for revision along with the other commodity programs. It's true it's not an expensive program the way it's being run in terms of cost to the Government, but it does provide a lot of economic distortions that really aren't in the best long-run interests of the country.

In the sugar industry right now you're finding that the corn sweetener industry is taking over a lot of the sugar market because sweetener can be produced from corn cheaper than the sugar industry.

And it's just the economics. In the end they will prevail almost no matter what we do. And if we distort things too much in the process, I just don't think it's going to serve the people of the country.

Mr. **Lewis**. Well, Mr. Secretary, do we allow foreign sugar to enter this Nation at such a rate that we completely destroy our own domestic program? And that's certainly what's going to happen. I mentioned 300,000 American jobs. I am talking about 43,000 right in the 12th District of Florida that could very well be desecrated. And you bring up the problem with the corn sugar, that's true. That was devastating within itself. But we have a very difficult time. And it's a program, as I have to reemphasize, which has not cost the American taxpayer or this Government one dime.

Secretary **Block**. True.

Mr. **Lewis**. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Secretary **Block**. Thank you.

The **Chairman**. The time of the gentleman has expired.

Mr. English.

Mr. **English**. Thank you, Mr. Chairman.

I would like to hit a couple of points very quickly, Mr. Secretary. First, I would take issue with my good friend from Florida, and I don't do this very often, but talking about 50 years of mistakes, if I remember correctly, back in the 1930's we were losing farmers by hundreds of thousands off the farm.

We were about to wipe out all of agriculture, and if I remember correctly, that was the reason that we came up with this program. And I would dare say that we came out of the Great Depression with far more farmers than we would have otherwise.

Second, I would also point out today that the American consumer has the cheapest prices in this world, and again I would dare say that if it were not for this program, that would not be the case. So I think that there are a couple of items there that we would have to point to as being significant successes. The farm bill was set up to be a consumer's bill, and it's been a tremendous advantage for the American consumer.

Mr. Secretary, we've had a lot of figures and charts thrown around. I have seen these charts around quite a bit. I wanted to ask you something. I have had some information that has come to me that I would like to give you the opportunity either to confirm or deny.

It's my understanding that, according to people who are in a position to know, that the professional staff people, the economic staff people in the Department of Agriculture, did not have anything or did not play a role in compiling the figures that went into these charts; they were put together by the political appointees as opposed to the professional staff people. Is that true or not?

Secretary **Block**. I would ask Randy Russell, who has served as Deputy Assistant Secretary for Economics, to answer that. I think he'd be the right one.

Mr. **Russell**. Congressman, much of this work was coordinated by the economics analysis staff, whose Director is Terry Barr, and there is not one political appointee in that group.

Mr. **English**. OK.

Mr. **Russell**. Nor is there one political appointee in the entire Economic Research Service. So I would differ with you on that.

Mr. **English**. And you will stand by Mr. Russell's statement, Mr. Secretary, is that correct?

Secretary **Block**. Yes, sir.

Mr. **English**. OK. With regard to the markets abroad—and we've heard a lot about this—we talk about the fact that we're not competitive overseas. Let's say if we adopted the proposal that you have offered and let's assume that even prices went down to $2 a bushel on wheat. How much more wheat are we going to sell at $2 than we're selling at $3.30?

Secretary **Block**. We have an analysis on that. It does show steady increases in exports.

Mr. **English**. But still, isn't it true, Mr. Secretary, that the wheat growers also have a study that they've done which has indicated that really if we did everything we could possibly do and we did everything correctly and if we even drove down the prices, that we're talking about somewhere in the neighborhood of 200-225 million bushels would just about be the limit that we could possibly expect to go?

Secretary **Block**. Let me see if Under Secretary Amstutz would be able to respond to that, Congressman.

Mr. **English**. Are you familiar with the study I am talking about, Mr. Amstutz?

Mr. **Amstutz**. Yes, I am. I can't say I have studied it, but I am familiar with it.

And the question is, is there demand elasticity for a product so basic as wheat? And our analysts—and Randy Russell just identified some of them—and those analysts we have in the Foreign Agriculture Service, in my office, our analysts believe there is demand elasticity. I too do. I think over the years we've seen evidence of that. We see reverse evidence——

Mr. ENGLISH. My time is very short, and what I really wanted to pin you down to and the Secretary down to is, assuming that we went ahead and adopted this legislation that the Secretary has proposed. By 1990 how much more wheat are we going to be selling than we're selling today?

Mr. AMSTUTZ. The answer comes from two areas. The one is this demand elasticity area, and as I say, I firmly believe that this is real. And second, what does it do to producer incentives in other competing countries?

Mr. ENGLISH. Again, my time is running out. I am just asking you how many more bushels are we going to be selling in 1990 than we are today?

Secretary BLOCK. 14 million metric tons more and our percent of the market increases from 37 percent to 45 percent.

Mr. ENGLISH. OK. Well, is this based on the economic principles that most agricultural economists will agree to? Would they agree to that?

Secretary BLOCK. This is the analysis done by the career people in the Department of Agriculture.

Mr. ENGLISH. By the career people. And 14 million metric tons more in 1990 than we are today. At what price would we be selling that?

Mr. RUSSELL. Well, by 1991 we're up to about $3.50.

Mr. ENGLISH. Using the same assumptions that we are today, is that assuming the dollar stays as strong as it is and assuming everything else stays constant?

Mr. RUSSELL. There's an assumption that the value of the dollar over that 5-year period will decline about 15 to 20 percent.

Mr. ENGLISH. OK. And assuming the dollar stayed constant, how much of an increase would we have?

Mr. RUSSELL. I would imagine that we would probably lose about 5 million metric tons, somewhere in that neighborhood.

Mr. ENGLISH. Over the 14 the Secretary is talking about?

Secretary BLOCK. Yes.

Mr. ENGLISH. So you're talking about a 9 million metric ton increase over where we are now?

Mr. RUSSELL. Yes.

Mr. ENGLISH. Are you comfortable with that nine?

Mr. RUSSELL. No; I am not comfortable, quite honestly, with the 14, Congressman, because there are a lot of unknown factors that could alter the end results of that analysis. But that is the best analysis and represents the collective judgment of a lot of people in the Department of Agriculture.

Mr. ENGLISH. If I could, Mr. Chairman, I would make one very fast, quick point, just very quickly, and I know my time has expired.

I would simply point out that we've got to deal with constants. If we're going to compare the amount of market that we're going to have under what we have at the present time compared with the direction we're going with the Secretary and trying to figure out whether we're better off or not, we've got to keep—the value of the dollar has got to be the same, everything has got to be the same in making those comparisons today. Obviously, this narrows considerably if you start taking 5, or 6, or 7 metric tons of increase out of the expansion.

So I ask that such a comparison be made for the committee.

Secretary BLOCK. We try to use our best judgment. We do believe the dollar relationship will change in that direction.

Mr. ENGLISH. Then it should be projected? If there is no change in the program, what would our sales be?

Secretary BLOCK. That would take another analysis, and that could be done.

Mr. RUSSELL. Any time we do an analysis of any bill, we use the same set of assumptions on the value of the dollar to cost out all the bills.

Mr. ENGLISH. Could that be provided for the committee then?

Mr. RUSSELL. Sure. We'd be glad to.

[The information follows:]

Question. What are AAA assumptions for exchange rates?

Answer. Our expectations regarding the value of the dollar are obviously influenced by actions regarding the budget deficit. If decisive action on the budget deficit can be achieved, we would expect the dollar to decline 30–50 percent over the next 5 years compared with recent peaks. Inaction on the deficit would severely limit the declines that could be expected in the coming years. For analytical purposes, these declines are phased in 6 to 8 percent annual increments over the period.

Mr. ENGLISH. Thank you, Mr. Chairman.

The CHAIRMAN. The time of the gentleman has expired.

The gentleman from Idaho, Mr. Stallings.

Mr. STALLINGS. Thank you.

I appreciate your coming over and I appreciate the answers that you have given.

There are two areas that I would like to get some response to. As we implement many of the ideas in this farm bill that you are supporting here toady, obviously we're going to lose farmers. Is that in line with the thinking that fewer farmers will therefore reduce production and bring us back closer to supply and demand curves?

Secretary BLOCK. No, sir. We're going to see some farmers leave agriculture, but I contend some are going to leave anyway. It doesn't make any difference what kind of farm bill we write.

The changes in production are going to be as a result of the fact that the Government won't be providing as many guarantees under our plan as we provided before and the production will be a response to price and supply and demand conditions. Now, I am also talking about worldwide production. And I would submit that a lot of countries right now with our guarantees jump right in there and produce for our guarantees. If the guarantee wasn't there, we'll find that production in many of these countries is going to level off and maybe even decline in some.

Mr. STALLINGS. Historically, the trend has been fewer farmers in this country, and yet production has gone just the opposite direction. We're producing more now than we did, say, 20 years ago when we had considerably more farmers. I would assume that will be the same, that that trend will continue; as we have fewer farmers, in many ways they will be more efficient—and maybe this is what you're talking about—the cost of production will go down because the tractor then becomes a little more affordable, farming two or three times the size that you have traditionally in the past.

But I am wondering if we are really addressing the oversupply problems. I appreciate your attempt to place more emphasis on overseas trade.

Secretary Block. We're trying to address the oversupply problem by the use of a market signal rather than the Government controlling it, and I just think that the Government's efforts to control production have not been very successful. We've tried all kinds of things. We tried to buy land out of production, and there's always a reason and a way—Pat Roberts is gone—but somehow the Wheat Program, they end up with people raising more wheat than we need. And we have all kinds of other problems with the programs getting circumvented for different reasons. And it's not working.

Mr. Stallings. Sure. Now, let me take a little different approach at this point and then come back to that. Under this plan—my district has a large sugar industry, beet sugar industry—what would you predict would be the future of that sugar, say, in 10 years if this plan is implemented? Would I have any sugar farmers left in the Second District of Idaho?

Secretary Block. I don't know what it would do specifically to your sugar farmers, because we don't take it clear down to the world price. We're down to 12 cents.

Mr. Stallings. My farmers cannot produce at 12 cents.

Secretary Block. And if we get down to 12 cents, the one thing we'll do, at least we'll reduce the kind of competition that you're now seeing from the corn sweetener industry because the corn sweetener is eating your lunch right now.

Mr. Stallings. My sugar people are not concerned about that. They're concerned about the——

Secretary Block. The sugar industry.

Mr. Stallings [continuing]. The sugar industry, that's right. No, the corn sugar doesn't bother them. In fact, I have had corn sugar people in, corn syrup people in talking, and it's not that much difference at this point.

What I am saying is, if I lose the sugar industry in the Second District of Idaho, my people have very few options. We have short growing seasons. We have to irrigate. My people therefore put in more grain, which we definitely don't need, or they put in more potatoes, which is right at the clearinghouse levels right now. More potatoes will do to the potato growers what has happened to the grain farmers in the past few years.

I am wondering if we are really looking at this in the long term.

Secretary Block. What I think we are doing is looking at it in the long term. In the short term I understand what you're saying, but in the longer term we need to have our producers, whatever they grow, responding to market signals and making their production decisions based on market conditions.

This would give us the most efficient agriculture and the best possible production decisions. That might mean that some parts of the country that are currently raising sugar beets will raise something else; other parts of the country that are farming some land in row crop may find it appropriate to turn that land back to grass and trees or something. But at any rate, our resources will be used in the most efficient way.

Mr. **Stallings**. My people are not going to be very comforted by that.

Secretary **Block**. I understand that.

Mr. **Stallings**. We're going to see some real problems there, and my concern is that when all this is through, we will still have high production levels, we will just have fewer farmers participating in that.

Thank you, Mr. Chairman.

Thank you, Mr. Secretary.

The **Chairman**. Thank you.

Mr. Secretary, I have a question on an unrelated problem. Under the Temporary Emergency Food Assistance Program each State receives 5 percent administrative funding for participation in this program. Texas is running out of money and will be out of money by July. I understand some States are not utilizing all their funds. Do you have the authority to transfer from one State to another? Or would you make such a transfer?

Secretary **Block**. We may have that authority, but I will have to check on that. And if you're interested in that for the State of Texas, let me look into it and reply to you, Mr. Chairman.

The **Chairman**. I am very interested because we have had disaster after disaster, and this program is still being utilized in my district. We know that some States have not utilized their whole funding. If you would have someone check to see if you have the authority to transfer and, if you would utilize that authority, it would be appreciated.

I don't want to delay you any longer.

Mr. **Penny**. Mr. Chairman.

The **Chairman**. Mr. Penny.

Mr. **Penny**. The point has been made several times by the Secretary today in response to questions that we have always seen a shakeout in agriculture, there has been an attrition every year over the last 50 years. And I just want to put a different light on that issue before the meeting adjourns today.

We all know that every year there is about a 1-percent attrition rate in agriculture. That's been in evidence for many years now. But that's a relatively modest attrition rate. What we're going to experience in the next couple of years is a level of farm failures that hasn't been seen since the Great Depression. I don't think any economist that knows anything about the situation in agriculture today would dispute that, that we're looking at an attrition rate that is just alarmingly high. We have not seen this kind of a disaster in agriculture for 50 years. It will be described in the history books, if we allow this to happen, as something very comparable to what happened in the Great Depression.

I would just urge the Secretary to be cognizant of the fact that without additional credit measures, without a different kind of farm program than the one he has described, we're going to see that kind of a failure in agriculture.

And unless he wants his boss, President Reagan, to be seen as another Herbert Hoover, he's got to work with this committee as the Secretary of Agriculture in the next year to come up with a farm policy that will help keep family agriculture in existence in America, or we will see, as my colleague, Mr. Stallings, pointed out, more production in the future, but that production will be accomplished by far fewer farmers.

The **Chairman**. Mr. Stenholm.

Mr. **Stenholm**. Mr. Secretary, I would go a little bit further with you on the question that was asked you about the nonnegotiables. The cost control, I agree with you. Away from Government or market oriented, I agree with you.

I have in my nonnegotiables a second one, though, and a third one, and that is, improved net farm income, on which I again agree with you. Your program, our current law, will not do that. Therefore, we do need a change.

And I have one more: It's got to be passable. Whatever we do has got to be something that will pass.

In the proposal that I am going to offer for your consideration at a later date on supply management is a voluntary/mandatory Supply Control Program. And I hope you will take a good look at it. I think it's a compromise between the two extremes.

The question I want to ask you is, You have said that you have a strong export title, and I think it's obvious in a program with no supply controls you're going to have to have that. It's my understanding the EEC yesterday called for a new round of GATT talks. Do you agree to that, and, if so, when might they start?

Secretary **Block**. I agree to that. I believe it's vitally important that we have a new round. The new round should be started in early 1986. And the highest priority with this administration is that agricultural trade policy be taken up there and that there be the appropriate discipline in agricultural trade that there is in industrial goods to ensure that a country that has comparative advantage in producing something really has a shot at selling that and not being victimized by unfair export subsidies or protectionism.

Mr. **Stenholm**. I am told that there is a substantial——

Mr. **Amstutz**. Mr. Stenholm, in addition to that—and this is significant—there has now commenced in Geneva some agricultural negotiations in the GATT Committee on Trade and Agriculture. And it's our fond hope that we can move those ahead much more rapidly than this overall GATT round.

Mr. **Stenholm**. That was my question.

The **Chairman**. Would the gentleman yield?

Mr. **Stenholm**. I would be happy to yield.

The **Chairman**. I might mention that Ambassador Brock has or will be nominated as Secretary of Labor, and we will have a change in our negotiator. I don't know if that will impact on our negotiations or not.

But I thank the gentleman for yielding.

Mr. **Stenholm**. Along the second statement, Mr. Amstutz, that you made was my question. It's my understanding, in the GATT community today there is substantial agreement among an overwhelming majority of the nations around three general philosophical beliefs in agricultural trade. The first is, any nation has the right and the responsibility to develop their domestic policies as they see fit without any outside intervention in what happens on domestic policy.

Second, if you are going to participate in the world market, you must do two additional things. One is, you must have a Supply Management Program, and you must permit negotiable imports of the commodity that you are in fact producing, the theory here being that if you have a high enough Domestic Support Program, you can get into dumping into the world market very easily and we get what we're now experiencing with our current farm program. We cut back, everybody else increases, and we lose.

So my question, Mr. Secretary, is this general philosophy something that you support and you believe the administration will support in Geneva in the GATT talks that are now going on?

Secretary **Block**. Would you want to speak to that?

Mr. **Amstutz**. Let me first speak to it. We would phrase it some differently from you, Mr. Stenholm.

Mr. **Stenholm**. That's what I am afraid of.

Mr. **Amstutz**. But let me answer this way. First, what is the agenda of the current GATT round, three topics, three major topics. First, trade practices; translated, export subsidies or subsidies of all forms. Second, market access. And third, nontariff type barriers to trade, the plant quarantine type, veterinarian restrictions, and so forth.

By and large, we say this is an era where all trading nations should be removing barriers, not erecting them. Over the years I think it has been U.S. policy of generally noninterference in indigenous domestic policies of any country.

However—this is how we would rephrase what you're saying—however, if any government or group of governments sees fit to provide subsidization to a domestic industry to such an extent that they would either use world markets for dumping grounds via subsidies, or block off entry into their market of goods that should have freer access than those governments provide, then they have a responsibility to tighten their own supply management screws.

So we would say it somewhat differently from you. We don't deny their right to do domestically what they see fit, as long as they remember their responsibilities as a member of a trading world. We all want to trade; we all need to trade. They have to be responsible in their approach to it.

Secretary **Block**. You can't have it both ways.

The **Chairman**. Would the gentleman yield?

Mr. **Stenholm**. I would be glad to yield.

The **Chairman**. Are you talking only about the European Community?

Mr. **Amstutz**. In this context, yes.

The **Chairman**. We're talking about selling in other areas, and this is almost unrelated as you're talking about expanding markets in the European Community. Yes, they're competing with us, but I still insist that we obtained a victory when we sold the flour. Egypt couldn't do otherwise. They were sitting there waiting to see who would give them a better deal that cost less.

You are making assumptions about where markets are going to be expanded. Argentina, whose Minister was here, says they're going to have 60 million tons of grains and oilseeds by 1990. They had 35 or something like that in 1980 and about 40 million tons last year. They're talking about 17 to 18 million tons more. And, Brazil can double that. Heaven knows what Canada can do. With just those four, you're out of markets.

Mr. AMSTUTZ. And the question, Mr. Chairman, is how many incentives will we—will our farm programs—how many incentives will we be providing others to stimulate their own production?

The CHAIRMAN. I don't want to take the Secretary's time.

Secretary BLOCK. Thank you.

The CHAIRMAN. I don't want to sound argumentative, but you say take off the target price and loan rate. There is something called IMF that is forcing every debtor country into the only way they can get dollars, and that is out of agriculture. And nobody is mentioning IMF.

Mr. AMSTUTZ. This Secretary of Agriculture, if I can speak for him, has put some teeth in some of these IMF dealings, and the IMF is not supposed to condone subsidizing practices by recipients of IMF loans.

The CHAIRMAN. I am not talking about subsidizing. I am talking about their forcing them into austerity programs in counties where the only way they can compete is to restructure their loans, and the only way they can earn is through agriculture, subsidy or not. You know that they're looking at fruits and vegetables. All of them are from Mexico south. Mexico is not a member of GATT, really, but they're looking at where they can get a fast dollar from us.

So whether we drop the loan rate or do away with it, other factors are forcing them into agriculture for dollars.

Mr. AMSTUTZ. That's right.

Mr. Chairman, we're really looking at different time frames here. And the one timeframe that Mr. Stenholm, for example, has focused on is an important one. And then there's another timeframe that really I guess we focused on in this 1990-91 period of the chart up here. And then there's the longer range one. And I know somebody said in the long range we'll all be dead, so don't dwell on it.

In the long range, as and if we can achieve economic vitality all around the world, all around the world in all countries, which all of us have to pray will come, there is room then for food and fiber production in all these countries. We can have a highly competitive climate, but there's room for it and there's a market for it out there.

Just look at the per capita consumption figures around the world now. And when we achieve Third World—Third World—per capita consumption one-quarter of what ours is in these basic commodities, then we will all be in this room wondering whether we can produce enough.

I don't think in the fullness of time you have to worry about some of these things. In the meantime, we think it's important that we are able to be competitive to compete on these markets in this sort of forseeable future period.

The CHAIRMAN. Do you know what they're talking about long term? The year 2000. That's 15 years from now.

My concern is that we may be doing something under very practical, conscientious, studious assumptions from your economists and all of your professionals. As I see the world the way that it's going, I can't agree that we should change now what we're going to do to our farmers this next crop year for something that could happen in the long term in the year 2050. By then we may be spinning around.

I'm told that if Russia or any country unleashes all their atomic or hydrogen bombs, the bang is going to knock the world off its orbit and we may be chasing around Mars and Jupiter.

As coach George Allen used to say, "The future is now, right now," in Illinois and Iowa and Nebraska. Don't do now something with an assumption of what is going to happen in 1990 or 2000 that is going to knock us off orbit in the year 1985 and the year 1986.

Mr. Secretary, you have been very patient, kind, and cooperative; and we appreciate you always. You know you are always welcome here, and I hope you don't wait to be invited—that sometime you may come of your own accord for the door is always open.

Thank you very much.

Secretary BLOCK. Thank you, Mr. Chairman. I am just proud that I have earned half a hat.

The CHAIRMAN. We will adjourn now.

[Whereupon, at 4:10 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

NATIONAL
FARMERS
ORGANIZATION

Committee on Agriculture
U.S. House of Representatives

STATEMENT
CHARLES L. FRAZIER
National Farmers Organization
March 21, 1985

REVIEW OF THE 1985 OMNIBUS FARM BILL

Mr. Chairman and members of the Committee, we appreciate this opportunity to express our increasing concerns with the rapidly deteriorating farm economy and suggest modifications of the farm program for the next few years. In view of the widespread interest in the crisis facing most farm communities, I wish to devote my limited time to a discussion of broad concepts for a new farm bill, believing that is the proper starting point to reverse the current unfavorable trends in our farm economy.

It is widely recognized that we must do something to brace up prices of our major commodities if we are to save the efficient mid-range producers who are primarily dependent upon farming and ranching for their income. We believe that such provisions as may be devised in the next farm bill should be targeted primarily to serve this class of producers.

A report just released by the Economic Research Service of the USDA confirms observations reported to you by various producer spokesmen for many months. We are confident that most of the members of this Committee understand the extent of the financial crisis in the farm communities of their home states. We want to assure each of you that those problems extend generally throughout most farming areas of this country.

That official report discloses that 11.1 percent of all farms were found to be in a highly leveraged category, i.e., with debt to asset ratios of 40-70 percent. This group carried 32.5 percent of all farm debt. Another 6.6 percent of our farms were in a very highly leveraged position with over 70 percent of assets covered with debts, and they represent 23.7 percent of all farm debt. These were the conclusions assembled as of January 1985.

All field reports and our personal observations indicate that land values have fallen even more than the official report indicates as of the Spring of 1984. In many areas of the country land selling now is priced at approximately one half of its value about five years ago. Admittedly, some of those prices were too high in the '70s, but in many areas they were run up by foreign investment, the government's rosy projection of ever increasing export markets and the inflationary influences of government policies generally prevailing in the ten year period of the 1970s.

We can tell you today that various political assurances from high levels of government notwithstanding, the financial position of many producers and many farm commodities are still deteriorating rapidly. The official report carries an estimate that 64.2 percent of all farm debt is held on family farms with sales of $50,000 to $500,000; of this group 46.3 percent of all debt is on farms that are now in serious financial difficulty or technically insolvent.

Quite obviously a continuing decline in land values coupled with continuing low prices would simply reduce equities below a level acceptable to lenders in many instances. Bankruptcies and forced sales threaten to increase rapidly in 1985 and 1986.

Net Farm Income

Net farm income in constant dollars dropped from an average of 15.2 billion in the 1970s to an average of 8.5 billion in the 1980s (1967 dollars). It is forecast to range between 6.0 and 7.5 in 1985. Without an improvement in commodity prices, this trend promises to continue.

While deliberating the many and variable farm program recommendations made to the Congress in the last few years, this Committee has often tended to discount the pleadings of real producer spokesmen in the final stages of writing a farm bill. Perhaps it has been appealing to accept the persuasive arguments of shippers, international traders, consultants and those representing other departments of government who have spoken so effusively of maintaining our place in export markets.

Such spokesmen have generally been a little evasive in defining our supposed share of foreign markets, but in one way they have been consistent. They have continuously urged upon the Congress lower price supports and the threatening conclusion that we may price ourselves out of foreign markets if we take steps to assure reasonably fair prices for our own producers. Quite frankly, we believe it is time that you face up to this question and decide whether you want to write a bill that will save some of our mid-range producers who are still out there -- or just do another compromise that pleases the users and shippers.

Since these problems have been so widely discussed in the media recently, we assume every interested person understands that our farm prices and our rural economy are beyond the producers' control without a friendly government willing to work with us. The consequences of the large budget deficit, the imbalance in foreign trade, the high interest rates, the resulting high value of the dollar and the consequent decline in export trends, all point to a continuing squeeze in net farm profits. As farmers we can do little or nothing to offset those influences. We must have your help if the style of farming that is the envy of the world is to survive.

1985 Farm Program

The Administration has proposed a period of sliding scale price supports and declining limitations that would lead us to a so-called free market in farm products in five years. Considering the rate at which we are losing the efficient mid-range producers throughout the rural areas of the United States, we contend that the Government is largely responsible for today's low prices -- it should move in exactly the opposite direction from the one proposed for new legislation.

It is in the national interest to re-establish some equity in the Government's handling of our farm economy versus that of the defense industry and some other segments. A bill must be designed to influence production more effectively than in recent years, while increasing prices to stop the bankruptcies and sellouts. We must reverse the current trends in prices of land and our major commodities if we are to maintain the mid-range, independent class of farm operators in the United States.

We recognize that there will be tremendous pressure to reduce the budget commitment for a farm program. Our proposal is designed to accomplish this while increasing prices for the major commodities. For those who continue to harp about sales in the export market, even though we are expected to sell at less than the cost of production, there is an answer. We are willing to do our part but since expansion of exports at low prices is obviously more beneficial to shippers, traders and the public at large, we propose that they help pay for the privilege of exporting these commodities. Producers should not be expected to shoulder the burden alone year after year.

Our program proposal is outlined in the attachment entitled Highlights, 1985 Farm Program Proposal. This was developed with the assistance and full concurrence of the membership of the National Farmers Organization in our recent National Convention. We would be happy to work with your staff in development of the legislative provisions.

(Attachment follows:)

Highlights
1985 Farm Program Proposal for Wheat, Feed Grains, Cotton and Rice
by National Farmers Organization

The 1985 farm legislation proposed by the National Farmers Organization would modify and extend existing farm programs. It would stabilize prices at more reasonable levels and continue to assure an adequate supply of agricultural products for domestic and export needs. It would provide a bridge between the current farm crisis and the time when export expansion and a more sensible land use policy will bring production more nearly in balance with what the market will take at reasonable prices.

Its main program-modification provisions would: 1) target benefits to independent owner-operators; 2) reduce farm program costs because this is certain to be required by Congress and the Executive Branch; 3) enhance resource conservation in a practicable manner; and 4) help expand exports in a way that does not place the entire burden of such a policy on farm producers. The independent operators targeted are the mid-range producers who typically farm their own land and some rented ground and who rely almost entirely on farming for their livelihood.

These are the main provisions:

1) Extend farm programs at least five more years.

2) Eliminate the target price concept to reduce costs.

3) Establish loan rates at 75% of parity and continue use of non-recourse loans to carry out price support objectives.

4) Allow repayment of non-recourse loans at loan level plus interest or the market price currently received by farmers, whichever is lower. The market price approach is a workable response to those who desire market clearing prices on exportable quantities of wheat, feed grains, cotton and rice.

5) Phase out the farmer-owned reserve because of its burdensome complications and rely on long-standing CCC authority to "reseal" or "extend" an individual loan on a particular crop at the producer's request. This privilege would be offered when the government anticipated a large takeover at loan maturity and wished to keep reserve stocks at the farm location. Storage payments would be made.

6) Continue authority for the diversion requirement as a loan eligibility feature. A production goal would be set at a level needed to assure an adequate supply plus a modest carryover to protect the public against a shortfall caused by drought or other disaster.

7) Require diverted acres to be seeded to a conserving crop or placed in a similar conserving use and authorize modest payments designed to offset the cost of required conserving practices.

8) Deny price supports to crops produced on fragile land.

9) Require a producer obtaining program benefits to comply in the same commodity on all farms under his control and to comply with all commodity programs applicable to his operation in order to secure the benefits of any of them.

10) Exclude from program eligibility the production on land owned by institutions, government agencies and foreign entities. Exclude also the production of absentee partnerships, syndicates, and large corporations (including their subsidiaries), when their principal source of income is other than farming.

This proposal cannot by itself assure an end to the current farm crisis or guarantee prices at profitable levels for producers. Other action is needed to deal with the federal budget deficit, exorbitant real interest rates, the inflated value of the dollar in world trade, an exaggerated dependence on foreign markets, and other contributors to the current farm crisis. Some reasonable progress in solving these problems also must be made in order for any farm program to work well.

Adopting this farm program proposal and administering it effectively will improve net income for the owner-operator sector of agriculture. Its tight compliance requirements will help assure its effectiveness. The market price repayment provision for non-recourse loans is purposely designed to compel the government to set production goals at levels that will protect the interests of both taxpayers and producers. Although this approach may first be regarded by some as old-fashioned or out of date, it should properly be considered as a substantial move toward modernizing the farm program.

This proposal does not include recommendations on dairy policy or farm credit. We recommend early and separate action to extend the Dairy Diversion Program and to restructure farm debt.

Washington Office
National Farmers Organization
January 3, 1985

NATIONAL
FARMERS
UNION

STATEMENT OF

JOHN STENCEL
PRESIDENT, ROCKY MOUNTAIN FARMERS UNION

ON BEHALF OF
THE NATIONAL FARMERS UNION

Submitted to the
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES

Concerning

"NATIONAL FARMERS UNION'S RECOMMENDATIONS FOR THE
1985 FOOD AND AGRICULTURE ACT"

March 20, 1985
Washington, D.C.

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Mr. Chairman and Members of the Committee:

On behalf of the members of the National Farmers Union, I am pleased to submit to you the recommendations of the Farmers Union relative to the 1985 Food and Agriculture bill which you will be considering over the next few weeks. Rather than supplying the Committee with a series of individual statements on various aspects of the bill and on individual commodity programs, I am providing the Committee with a comprehensive statement dealing with those provisions.

These recommendations are a result of the deliberations and policy decisions made by the delegate body of the 83rd annual convention of the National Farmers Union which was held March 3-6, 1985, in Phoenix, Arizona. I might add that the delegates to that convention are exclusively individual family farmers and ranchers, so these recommendations reflect the collective thinking of men and women who are active producers of food and fiber.

This Committee, and this Congress, is faced with making serious policy decisions as to the future direction of agriculture and food policy in this country. Those decisions will have a definite impact on the structure of our system.

Will we continue or accelerate the movement towards two classes of farmers, the super-big and the very small, or will we enact programs and initiate policies which will promote and protect those medium-sized family farms which have been the traditional source of our food and fiber supplies?

Simplifying to a degree, I believe the policy options available to us can be stated as three: first, we can continue a twenty-year history of putting band-aids on the program, patching here and tinkering there, but not really changing the present policy; secondly, we can move into a period of absolute minimum government cooperation in farm programs, in effect, return to a "risk-oriented" agriculture; or, three, we can forge a new partnership between those who produce the food and fiber for this country and those who consume those products. A partnership in which government plays a role by assuring fair prices are paid to farmers and fair and stable prices are paid by consumers, both domestic and foreign, for those products.

It is our opinion that the first two options are unacceptable if we want stability and prosperity in agriculture.

A combination of continuing over-production, continuing low commodity prices, continuing high interest rates, an over-valued dollar, and a precipitous decline in farm real estate values are all contributing to the demise of American agriculture as we have known it.

Even though this Administration has spent record amounts of money on farm programs over the past three years, bankruptcies and forced liquidations continue at record levels.

The time has come for Congress and the Administration to implement and manage a food and farm program for this country that is based on equity and stability.

The National Farmers Union believes there are some concepts which are essential to such a program:

First, it must be a comprehensive long-term food and farm policy which recognizes at the outset that fair prices for farm products is the key to keeping farmers in business and the rural economy healthy.

Secondly, the legislation must provide for effective supply-management programs which will balance production with effective demand, provide for an adequate reserve program and meet food-aid requirements both here at home and abroad.

Thirdly, it must target farm program benefits to that sector of agriculture which we mean to maintain. We believe the day of open-ended farm programs is over.

And, finally, it must address in a comprehensive and long-term manner the seriousness of our soil and water conservation problems. The Congress must not look upon federal spending in the conservation area as expenditures but rather as an investment in our future national security.

On the other side, the legislation must also address the legitimate concerns and needs of our customers.

The legislation must provide for stability in prices to consumers. It must provide for reliability of supply. I am not talking here about a "cheap" food policy but a stable food policy.

It must provide for adequate supplies of food for those in our society, who, through no fault of their own, have inadequate resources to provide for an adequate diet.

And, finally, it must recognize that we have both humanitarian and national security interests in seeing that our food supplies are used to alleviate hunger in the world and to help developing nations improve and increase their domestic agricultural production.

To highlight their concern about the importance and immediacy of the situation, the delegates to the Farmers Union convention adopted a Special Order of Business addressed to the importance of an adequate food and farm program being enacted by the Congress. For your information, that special order is attached as Attachment A.

In order to more fully understand the basis and rationale of our recommendations, I quote the preamble to the Farmers Union's Policy Statement:

"The family farm is the keystone of our policy. Family agriculture is the base of viable rural communities and a strong society.

"We remain wholly dedicated to the strengthening of the family farm system and farmer cooperatives and resolutely opposed to an industrialized type of corporate farming or to domination of farm ownership and operation by off-farm or alien interests.

"Our American system of farming is the most viable system of food and fiber production; it is in the best long-term interest of the nation; and it provides the most widespread benefits to all in our society. Yet, its survival and continuance are not automatic nor assured in our society.

"Congress has often reaffirmed the 'historic policy of the United States to foster and encourage the family farm system of agriculture in this country,' but this federal commitment is meaningful ONLY if policies and programs are implemented and administered to effectively achieve the results intended by Congress.

"The recommendations set forth in this policy statement are designed to reaffirm the family farm structure as the primary agricultural system, to assure rural and urban stability, national prosperity, the preservation of human and natural resources, and the dignity of the individual and family."

It is our strong feeling that on balance, the farm programs of the past fifty years have been helpful to farmers and to our society. If they have fallen short of their objectives from time to time, the fault has been that the programs have been weak, have been poorly funded or have been badly or unreasonably administered.

The shortcomings of the programs have been particularly apparent in the past decade as a result of the turnaway from supply management in the agricultural acts of 1973, 1977, and 1981.

The "market-oriented" label on recent programs has been a misnomer. These programs have been "supply-oriented" in concept and less concerned with fairness and stability of prices and income. As a result, the farm economy has become more unstable and insecure and prices have fluctuated more widely than before. We have been progressively losing export markets and export shares and are residual suppliers in the world markets. In that sense, more of this misguided "market orientation" will only aggravate problems.

The American people must recognize that food supplies and food policy are too important to be left to chance. Farm policy must not only seek abundant production but must provide the incentives and protection which will enable producers to sustain productive capacity over the long term.

Therefore, along with supply orientation, our farm and food policy must be "demand-oriented." It is an historical fact that the most devastating declines in farm prices and income -- those which occurred in 1932-34, 1955, 1975, and 1981-84 -- have been caused more by weak demand than by oversupply.

To achieve the twin goals of stability and profitability in agriculture, we urge that the Congress work towards incorporating the following eleven principles in the 1985 legislation:

1. The legislation should be long-term law, rather than another four-year farm bill.

2. The wide discretionary authorities provided to the Secretary of Agriculture under previous farm laws should be drastically limited.

3. Congress should establish the base programs for commodities and the discretionary authority of the Secretary should extend only to the necessary ranges to allow effective adjustment of supply management programs to meet domestic and international demand.

4. Minimum price support protection must be established at cost of production levels.

5. Reserve programs must insure an adequate supply to meet domestic needs and export commitments.

6. The role of the Commodity Credit Corporation (CCC) should be expanded to include negotiation of long-term agreements with importing nations.

7. Deficiency payments should be made to producers in an amount representing the difference between the full parity price and the average market price. Payments should be made on a de-escalating scale, so as to direct the most financial aid to family farmers.

8. Realistic limitations on payments must be enacted to provide effective production and preference to the family farmer and the family-farm system of agriculture.

9. Cross compliance should be required for producers to be eligible for benefits of any single commodity program whenever supplies of one commodity are out of balance with other commodity supplies.

10. Mandatory supply management programs adopted through producer referendums should systematically replace current programs which permit a minority of producers to frustrate the supply adjustments made by the majority.

11. Non-farm corporations or alien owners should not be eligible to receive farm program benefits.

In order to achieve these goals for the various commodities, I call to your attention Attachment B of this statement which outlines specific program recommendations for the various commodities.

The manner in which farm programs are administered is as important as the programs themselves, therefore, we recommend the following policy directives concerning the administration of farm management programs:

PROGRAMS TO BALANCE SUPPLY WITH DEMAND

Production or marketing quotas, when needed, should be based on units of production rather than acres to strengthen the family farm structure of agriculture and provide adequate minimum quotas for individual farms.

Any entity engaged in farming that breaks out native grassland or wooded land should not receive benefits of crop-base history, price supports, or pay-base acres on crops raised on such land until after a 5-year proven yield.

Any farms participating in any payment or loan-producing programs should be encouraged to participate in available soil conserving practices for that farm, developed and implemented by local Agricultural Stabilization and Conservation Service (ASCS), Soil Conservation Service (SCS), and Soil and Water Conservation districts.

Set Aside

When the market price of a storable commodity is at or below 90 percent of parity, there should be an automatic set aside of not less than 10 percent on wheat and feed grains, soybeans, cotton, and rice.

In the absence of a cash incentive program, unrestricted grazing and haying on all set-aside acres should be allowed.

Any paid diversion program should provide equal treatment for wheat and feedgrains.

We oppose a bidding system to put land into a reserve. Normal cropping patterns and farm practices must be allowed to continue under set-aside regulations. Base acres for crop reduction programs should be determined by a 3-year average in order to reflect normal land use more accurately. In no case should base acreages exceed total normal tillable acres of the farm unit.

Those failing to participate in production regulating programs, but later seeking entry into these programs, should have their base acres determined on the basis of their planted acres when they last participated or the acres equivalent to the percentage of planted acres versus idle acres that are average for that county. Summer fallow and fall grazing are practices which should be allowed as a set aside. We further urge that farmers should be able to seed 50 percent of cropland acres and still be eligible to qualify for the program.

ASCS county committees should be granted authority to adjust the normal crop acreage and the crop acreage history on an individual farm basis, keeping in mind program objectives and equity between producers within the county and state.

The Secretary of Agriculture, as a condition of eligibility for loans and other commodity program benefits that may be provided, shall require that a producer not exceed the acreage base established for the farm, as may be adjusted periodically to maintain equity and fairness.

Administration announcements on crop acreage set asides should be made early enough in the season to allow farmers in all parts of the country equal opportunity to participate in the program.

In addition to the recommendations on domestic supply/management programs, the delegates addressed several other areas of concern to them and ones which will be the subject of action by this Committee. Among those issues I would like to briefly address are the following: export policy; P.L. 480 (Food for Peace); domestic food assistance programs; conservation; and federal farm credit policy.

EXPORT AND TRADE POLICY

American farmers today live and sell their products in a global food and agricultural economy. The prices they receive are dependent to an important degree upon what their commodities will bring in world trade. Such prices, in turn, are destined to be weak unless there are cooperative efforts among nations to maintain prices for raw commodities at fair levels and provide for orderly conduct of commerce.

A. Access to World Markets

Farmers need and desire to be assured that they will have the right to sell their products in world markets if they are to maintain their productive capacity to serve the world market. Farmers are concerned that there have been several stoppages of U.S. farm exports by government during the past 18 years, and that the power to restrict exports is institutionalized in the Export Administration Act.

Congress, in extending the Export Administration Act, should bar embargoes, suspensions, or other interference with farm exports, except in the event of a declared war.

We appreciate adoption of the contract sanctity provisions by Congress, but feel that this does nothing to increase prices in the event of a trade stoppage. Therefore, we urge Congress to require that 100 percent of parity price supports be automatically triggered if future embargoes are imposed, whatever the reason.

We recommend amendment to the Commodity Credit Corporation (CCC) charter to provide for establishment of an agricultural commodities marketing board, elected by agricultural producers, to negotiate and transact export sales of agricultural commodities produced in the United States.

This national agency should be the exclusive contracting agency for the sales and pricing of all agricultural commodities that are imported or exported, and should give preference to farmers' cooperatives in selecting agents of the board for handling export sales.

With the inclusion in the 1981 Farm Bill of a revolving fund for export credit within the CCC, the Congress has provided USDA with potentially useful tools for expanding sales with existing trading partners and for opening new markets. Similarly, the blended credit established by USDA in 1982 has some value in meeting the competition of other exporters who subsidize grain export credit.

However, these export subsidy programs, without measures to raise the level of grain export prices, are likely to be self defeating for the reason that they are, in effect, grain price reductions and are apt to result in a grain price war harmful to all exporters.

Access to export markets is important but, if there are to be future gains in export earnings, they will more likely have to come from higher prices on grains.

The exportation of American-grown food and fiber at prices that are less than the cost of production amounts to the exportation of our land, water, petroleum, and other natural and human resources for less than their true value. All international trade policies must be formulated with this vital consideration in mind.

B. International Trade Agreements

Negotiations for a new international grains agreement should be resumed promptly. Farmers Union recommends that a new grains agreement should provide for:

1. All trade in grains to be conducted within a range of minimum and maximum price levels. The minimum pricing levels must provide a return above the comprehensive cost of production to producers.

2. World reserves of grains to be maintained as a responsibility of both exporting and importing countries.

3. An improved "Food Aid Convention" to be supported by both importing and exporting countries, with the aim of providing for emergencies, promoting economic and market development, and generating employment for the world's hungry.

4. Equitable sharing among both exporting and importing countries of the responsibility for and the cost of reserve stocks and food aid, and adjusting market supplies in order to maintain prices within the desired range.

We recommend that international commodity agreements be considered for other agricultural products which are widely traded in international commerce and that the central purpose be to assure prices that are remunerative to raw materials producers and fair to consumers.

If for any reason an international grains agreement cannot be reached, we ask that grain exporting countries form an agreement, or the United States take unilateral action, to provide minimum world trade pricing levels that provide a return to producers to cover costs of production and a reasonable profit.

EMERGENCY FOOD PROGRAM

We support efforts to supply surplus American farm commodities to underdeveloped nations who are not now able to afford to buy the food they need, and assist in construction of adequate storage facilities, to feed their people.

Recognizing that there are millions of hungry people in the United States who are also deserving of such food aid, we recommend that such food aid and required funding for distribution also be made available to appropriate domestic charitable organizations.

The catastrophic drought in some twenty-four African nations should spur the United States and other able nations to use whatever means are available through the World Food Program and the United States Food-for-Peace program to cope with the starvation threat now besetting some four million people.

We recommend that stored commodities under CCC loan or purchased by the CCC be moved through the Food Bank Program when the storage life of the product has been reached.

We support the efforts of church groups and others in attempting to provide food for hungry people of starving nations.

Public Law 480 (Food for Peace)

P.L. 480, the Food-for-Peace statute, expires at the end of 1985, and we therefore ask the Congress to make it a permanent legislation as a part of the 1985 Agricultural Act.

Food-for-Peace, in its 30 years of operation, has lived up to its goal of "increasing the consumption of U.S. agricultural commodities in foreign countries and improving foreign relations of the United States." More than 300 million tons of surplus farm commodities valued at $33 billion, have been sent to some 110 countries.

P.L. 480 sales and donations have helped relieve famine and hunger and at the same time have helped in the economic progress of the lesser-developed nations. Many countries, which were once recipients of P.L. 480 aid, now are among the best cash customers for farm goods.

The 1985 amendments to P.L. 480 should expand the program, revitalize the market development aspects and provide authority for multi-year programming of Title I and Title II commodities.

FOOD AND NUTRITION PROGRAMS

We support continuation and full funding of federal nutrition programs as the only way in which to maintain the food-buying power of low-income citizens and to insure that at least a minimum nutrition level is provided for all Americans.

We urge Congress to continue federal responsibility for nutrition programs, reiterating the right of all of our people to at least a minimum diet, regardless of where they live. The USDA should continue to maintain administrative responsibility for federal nutrition programs.

Beginning with FY 1982 funding, school lunches were cut by $1.6 billion (30 percent) and 2,700 schools and 3 million children (1 million low-income children) dropped out of the school lunch program. Similar cuts were suffered by other child feeding programs. We urge Congress to reverse these cuts as an investment in our national well-being.

The Special Supplemental Food Program for Women, Infants, and Children (WIC) is serving only 2.3 of the 6.5 million eligible people who are at nutritional risk. In face of increasing infant mortality, we urge Congress to continue its support of WIC by funding it at its full authorized level.

The need for food stamp assistance increases with rising unemployment at the rate of $1 billion for each 1-percent in registered unemployed citizens. We urge Congress to support the mandate of the Food Stamp Act of 1964: "To strengthen the agricultural economy; to help achieve a fuller and more effective use of food abundance; to provide for improved levels of nutrition among low-income households..."

The Special Milk Program for children has demonstrated immeasurable benefits in helping to improve the nutritional status of school children by paying a share of the cost for increased servings of fluid milk. Funding has been severely reduced so that it now serves children only in schools that do not have any other child nutrition programs.

We commend the Congress for expanding this program in 1984 to become available to children in kindergarten who often are not eligible for other school lunch or breakfast programs.

CONSERVATION

Government Programs

Soil and water conservation programs have proven highly effective for pollution abatement and soil conservation.

These programs of conservation and resource inventory must be funded at levels that will insure the continued protection of our nation's soil and water resources. Funding cuts that jeopardize the continuation of USDA-SCS cannot be tolerated.

Such financing should be on a long-term basis, providing federal commitments for at least five years ahead and providing conservation assistance on a level designed to meet the needs as shown in the federal land conservation inventory and the appraisals under the Resource Conservation Act of 1977 and other federal studies.

The needs are so widespread and urgent that any "targeted conservation" program would, if it were honest and motivated by something more than budget savings, have to call for a vast expansion of federal conservation investment.

We request that federal financing to meet clean water and air standards of the Environmental Protection Agency (EPA) be available to farmers from funds appropriated by Congress for this purpose, and that such funds be administered through the farmer-elected ASCS committees.

We urge continued improvement and acceleration of the small watershed programs under Public Law 566.

The Great Plains Conservation Program, Agricultural Conservation Program (ACP), Rural Clean Water Program, Water Bank, and other soil and water programs have proven their value in achieving land-use adjustment and the conservation of land and water. Such environmental programs should be strengthened and expanded and include ACP cost-sharing for both replanted and new shelter belts, and noxious weed control.

We urge that ACP be funded at the $500-million level as originally authorized by the Soil Conservation and Domestic Allotment Act of 1937, and we strongly urge that the conservation cost-sharing delivery system for all rural federal conservation cost-sharing funds be through the farmer-elected ASCS committee system.

USDA BUDGET POLICY

The overall 15% reduction in USDA budget outlays for fiscal year 1986 includes damaging cuts in CCC price support operations and drastic cuts and terminations in some other activities.

Important savings could be made in CCC operations by returning to effective supply management measures, but the Administration refuses to embrace such strategy.

Among the most deplorable of the proposed reductions are the termination of ACP, disaster loans, aid to watersheds and RC&Ds, and the virtual end to rural housing and community development programs.

It has been recommended that REA electrical and telephone loans be reduced by 60% and that cuts of more than 20% be made in Food-for-Peace, agricultural credit, extension and soil conservation.

Beyond those devastating reductions, legislative recommendations will be made which would force further fund reductions.

We urge Congress to reject the White House budget requests for agriculture and proceed with the approval of adequate funding for needed programs.

Farm loan programs, which show as expenditures in the current year although they are eventually repaid with little or no cost to the government, should be entered as repayable investments rather than annual operating expenditures.

CREDIT PROGRAMS FOR THE FAMILY FARM

While the real solution to the agricultural debt crisis can only be expected from a genuine and lasting improvement in farm prices and income, major emergency credit actions will be necessary if hundreds of thousands of farm operators are to continue in production.

The situation is truly ominous, as evidenced by the following indicators:

1. Outstanding farm debt, as of January 1, 1985, was $212.1 billion.

2. Interest payments made by farmers on this debt load totaled about $23 billion in 1984, up by $2 billion from a year earlier.

3. Almost one-third of the $212.1 billion debt is owed by farm operators with a debt-to-asset ratio of over 70 percent; that is $7 of debt for each $10 in assets. Prospects for the survival of these farms appear doubtful.

4. Perhaps as many as one-third of all United States farmers are slipping towards insolvency, and more than 350,000 are considered to be in a highly vulnerable condition.

5. Delinquencies are running about 25 percent on Farmers Home Administration (FmHA) loans, at about 9.5 percent at large commercial banks, and at 4.6 percent at all commercial banks.

6. Actual bankruptcies in mid-1984 were running at a 2.6 percent rate, more than three times the level in 1982.

7. About one-fourth of the commercial bank failures in the United States in 1984 were banks which had 25 percent of their outstanding loans in farm loans.

8. Interest rates charged to farmers appear to be continuing in the neighborhood of 13 to 14 percent and above.

9. Plummeting farmland values are wiping out billions of dollars of family farm and ranch equity and threaten to further accelerate the trend toward failing lending institutions.

A. Farm Credit Policy

Rural America is on a collision course with economic chaos unless immediate action is taken toward massive farm debt adjustment and restructuring. Such debt adjustment and restructuring must be accomplished by the implementation of the authorities listed for the proposed Family Farm Recapitalization Administration. In addition, every family-sized farm unit must be made eligible for a direct or guaranteed loan using adjustments in the following order to permit repayment of debts:

1. Reamortizing or rescheduling existing loans to the longest available term.

2. Reduction in the interest rate to the level necessary to achieve repayability (similar to rural housing interest credit terms).

3. Deferral of as much debt at no interest as may be required until such time as net farm income would permit reinstatement.

4. A combination of reamortization, rescheduling, interest rate reduction, and debt deferral.

Such adjustments must undergo a "graduation" review periodically to determine whether they need to be continued. The loan ceiling on direct and guaranteed loans should be the same. FmH/ should have authority to purchase individual loans of family farmers at a discounted rate from the farm credit sector, thereby converting them to direct FmHA loans and adjusting them as necessary for repayment of the full loan.

FmHA should also be authorized to issue bonds to cover part of the face value of mortgages of family-sized farm operators held by private and cooperative farm credit institutions, thereby providing necessary collateral to secure such loans.

Farms and land presently held by FmHA as a result of foreclosure, etc., should be leased, rather than sold in the current depressed land market. Preference for lease should be given the last operator of record if he is known to be of good character, has always dealt in good faith with FmHA and other creditors, and can demonstrate repayment ability under a rental arrangement. Next preference should be given to beginning farmers or other local family-farm operators.

FmHA should also be authorized to purchase (at a discounted rate) farmland which has been forfeited to farm credit institutions and redistribute such land in family-sized farm units on a similar lease purchase basis in the same priority order as above.

Until such adjustment programs are operational, it is necessary to establish a national moratorium on foreclosures and involuntary liquidations of family-sized farm units.

B. Farmers Home Administration

The FmHA, since its authorization in 1946, when it replaced the Farm Security Administration, has been given increasing responsibilities in a wide range of activities for serving rural America. Today, the farmer loan programs of FmHA have become a minor percentage of its total annual loan portfolio. The myriad of responsibilities of FmHA has made it impossible for the agency to give adequate priority to farm ownership and operating loans. The General Accounting Office has documented the inadequacies of FmHA's responsibilities in farm loan supervision. At the same time, Congressional hearings have demonstrated that USDA has been unable to carry out a coordinated rural development program.

Therefore, we call for the reorganization of FmHA. Its responsibilities in rural development, such as housing, community facilities, business, industrial, etc., should be consolidated with other similar agencies into a Rural Development Administration. Its farm loan programs should be brought together, with additional authorities, under a Family Farm Recapitalization Administration.

The Family Farm Recapitalization Administration must:

1. Be restricted to the assistance of family-sized farm units, as the lender of last resort.

2. Provide supervised loan programs for the recapitalization of family farms.

3. Have authority to provide long-term real estate loans, with adjusted interest rates and flexible repayment schedules in accordance with the producer's annual net farm income and crop production to assist undercapitalized and beginning farmers.

4. Have authority for production (operating) loans at adjusted interest rates and flexible repayment schedules.

5. Be authorized to develop innovative programs of finance and assistance for land transfer between generations and the establishment of new farm units, including programs such as the Saskatchewan Land Bank.

6. Work closely with state programs designed for beginning and undercapitalized family farmers, and be able to supplement and guarantee such state programs.

7. Become the primary agency within USDA for researching and developing programs and policies towards the goal of providing security for the family farm system of agriculture.

We call for immediate Congressional hearings for the reorganization of FmHA. We recognize that Congressional efforts are already under way to mandate that FmHA carry out the Congressional intent of its existing authority. We urge that these emergency measures be approved quickly so that reorganization of FmHA can be the next step in returning it to its original mandate and priorities.

FmHA supervisors should understand the program and follow the rules -- including submitting applications to the county board for approval.

We have been particularly distressed by the lack of concern shown by the Secretary of Agriculture towards economically distressed agricultural borrowers.

C. Farm Credit System

National Farmers Union objects strenuously to the attack upon the farmer-owned Farm Credit System by the Treasury Department and the Office of Management and Budget (OMB).

We urge that the Administration also ignore similar recommendations being advanced by the President's Private Sector Survey on Cost Control, recommendations which would reduce the System's capacity to raise funds for agriculture by as much as 75 percent.

The 520 Federal Land Bank Associations repaid the last of their government capital in 1947, and the Federal Intermediate Credit Banks and their related 433 Production Credit Associations retired the last of their government capital in 1968, the same year as did the 13 regional Banks for Cooperatives.

The three sectors of the Farm Credit System obtain their loan funds by sale of securities in the money market. Government loan funds are not involved in Farm Credit lending, nor are the securities guaranteed in any way by the federal government.

Putting restrictions on how the Farm Credit System raises its capital or by impeding its access to the nation's money markets in any way would appreciably increase the cost of money to the System and its borrowers.

This would be an uncalled for and destructive attack upon the System, owned by its borrowers, which now provides farm operators $80 billion a year in borrowed funds.

The Farm Credit System should be allowed to continue to strive to ease the credit squeeze upon farmers as far as possible. Certainly, it should not be the business of government to hamper it.

Farm Credit System lenders should make every effort to work with financially troubled borrowers to help them remain in business. Providing credit for family farms should be the number one priority of the Farm Credit Administration (FCA). Long-range goals of the FCA should be directed toward providing agricultural funds for family farms.

RURAL ELECTRIFICATION AND TELEPHONE

The establishment of federally sponsored rural electrification and rural telephone cooperative systems not only helped American agriculture increase its productive capacity, but also generated demand for goods and services that spurred production and employment across the nation.

The ability of these cooperatives to continue supplying reliable and affordable services to farms and other sparsely populated areas of the nation hinges on their ability to acquire adequate capital.

The revolving fund and loan guarantee programs made available to electric cooperatives by the Rural Electrificiation Administration (REA) and the low interest loans and guarantee programs available for rural telephone service have proven to be effective and efficient means of meeting these financing needs.

In addition, technical standards and other assistance provided by REA over the years have been instrumental in the success the program has achieved over its fifty-year history. These loan programs and other services are provided by REA at minimal cost to the taxpayer, and result in benefits which increase the well-being and prosperity of all Americans, rural and urban alike.

National Farmers Union believes that the role of government in assisting consumer-owned, non-profit rural electric and telephone systems to provide reliable and affordable service in rural areas is by no means complete. We support continuation of a strong rural electrification and telephone program administered by REA. We ask Congress to authorize loan and loan guarantees to be made available through these programs at levels adequate to meet the capital requirements of rural electric and telephone systems.

National Farmers Union recommends further that Congress provide adequate funding for the administration of REA in its traditional form as an independent agency within the USDA, and take whatever steps are necessary to ensure that key staff functions, including those pertaining to the establishment of engineering standards, are retained within REA. We oppose suggestions put forth by the Grace Commission and others that the loan programs and other important services provided by REA be terminated or in some way "privatized."

Mr. Chairman, I realize that this is a rather lengthy statement, but as the Committee and the Congress go about their responsibility of enacting food and farm programs for the remainder of this century, we believe it essential that all viewpoints be adequately and fully presented to the Members.

We sincerely believe that adoption of the basic principles outlined in this statement will result in saving the family farm structure of agriculture, saving our rural communities, providing a stable and abundant supply of food and fiber at reasonable costs to our customers both here at home and abroad, and in the end, strengthening the entire American economy.

Thank you.

(Attachments follow:)

ATTACHMENT A

SPECIAL ORDER
OF
BUSINESS

WHEREAS: Delegates to the 83rd annual National Farmers Union convention have spent the last three days debating policy issues and listening to speakers commend family farmers for their service to this nation, their efficiency and productivity, and heard them decry the economic plight of family farmers; and

WHEREAS: As we leave this convention unified and with solidarity, we must have a short-term survival kit including immediate credit help and a long-range bill for family farmers; and

WHEREAS: We believe the current Reagan administration farm proposals will lead to exorbitant consumer food prices, devastation of the rural community, and a conglomerate corporate takeover of agriculture; then

THEREFORE: We challenge this administration, its appointees and advisors, and the U.S. Congress to enact an immediate program to preserve the family farm.

That program should include a mandatory supply management plan for all commodity producers;

A cost-effective program that ultimately will not take its price from the federal budget because farm commodities will be protected at a decent price to farmers;

To put America's family farmers on sound footing again, deficiency payments that are made to producers in an amount representing the difference between the full parity price and the average market price, to be made at a cost restricted on a de-escalating scale so as to direct the most financial aid to family farmers;

Our goal is a program that assures the family farmer a price that includes the cost of production plus a fair return.

We call for an immediate one-year moratorium on FmHA, SBA, Federal Land Bank and PCA agricultural loan foreclosures.

THEREFORE also: We stand united in solidarity at the end of this convention, ready to fight for rural America.

ATTACHMENT B

COMMODITY STABILIZATION PROGRAMS

1. Wheat and Feedgrains

A price stabilization, supply management system should include:

a. An effective floor price to protect producers.

b. The farmer-held grain reserve program should be revised and improved so that it functions as an "ever-normal" granary for both farmers and consumers. The reserve should be expanded to include all non-perishable farm commodities.

To be effective for society, the reserve must be large enough to provide a realistic safety factor.

To be effective for farmers, the program must provide sufficient incentive to participate, and the loan levels and release and call levels must be such as will give a positive upward thrust to farm market prices.

A supplemental loan level should be established for all commodities destined for the reserve of at least 10 percent above the regular loan or support for all eligible commodities, and a release level should be set at not less than 120 percent of the supplemental loan level with a call level of not less than 140 percent of the supplemental loan level.

c. Silage corn should be considered in computing feedgrain program benefits.

d. Oats and barley should be included in any feedgrains program.

e. We support a minimum price law based upon a percentage of parity by use of marketing certificates.

2. Dairy Policy

Farmers Union supports the concept of a paid diversion program for dairy.

Any supply management program should guarantee dairy producers a fair income in return for per-farm reductions in milk production and not reduce the dairy price support level for base levels of production.

We urge Congress to approve a dairy supply management program suitable to the needs of commercial family-sized producers, with accommodation for those just starting out, yet capable of curbing production in regions where larger dairy operations predominate. Like the current diversion program, the new program may be financed in part by dairy farmers themselves.

We urge the Congress to explore the possibility of instituting target pricing for milk.

We support continuance of the National Farmers Union Dairy Task Force.

We urge acceleration of market order consolidation to achieve uniformity in pricing and to maximize net return to producers.

The federal government and milk producing states should be encouraged to enact legislation adopting component pricing of milk -- including the use of protein.

The FDA should increase the federal minimum standards for fluid whole milk to 8.7% milk solids non-fat; 10% for low fat, and 9% for skim solids non-fat; and further that the FDA, in the best interest of both consumers and dairymen, should do everything in its power to ensure that all milk marketed as fluid milk meet or exceed these standards.

We support the 36-member Dairy Promotion Board and the coming referendum for mandatory promotion of dairy products.

We would support expanding the authority of the Dairy Promotion Board to manage the disposition of the excess dairy products.

The leadership of dairy promotion programs should be directly accountable to the producers who fund such programs. To that end, we believe the boards of all national, regional and state dairy promotion programs should be elected by dairy producers rather than appointed by public officials. Producer referendums on dairy promotion programs should prohibit the use of cooperative bloc voting, require the use of mail ballots and take other measures to encourage the participation of all eligible producers.

As casein imports cost American taxpayers in excess of $600 million annually, major reductions in the current import levels of foreign subsidized casein should be instituted. If casein is to be used for food, it should be transported as a food and inspected by the United States Department of Agriculture (USDA). Since dairy imports displace millions of pounds of U.S.-produced milk annually, we urge Congress to add this annual import level to the 7.5-billion-pound trigger level in the dairy program in order to protect the support price to United States farmers.

Public programs and private efforts to reduce government-held dairy stocks should be implemented, including full funding of the school milk program.

Farmers Union supports strengthening the federal regulations governing foods which incorporate artificial dairy products.

We are opposed to regulations which allow the use of dairy terms, i.e., milk, cheese, cream, cheddar, etc., in labeling imitation and substitute dairy products. The use of dairy terms on these labels is deceptive to consumers and allows manufacturers of these products to benefit from the wholesome reputation of natural dairy products.

A dairy indemnity program, similar to that under the 1977 Farm Act, should be reinstituted.

Recognizing that brucellosis continues to be a problem for livestock producers, Congress should provide adequate funding for the eradication of this disease.

American dairy farmers are currently producing more milk than is being consumed domestically. In order to help alleviate our current surplus, every effort should be made to increase consumption among those Americans who currently cannot afford to purchase those products.

We urge the USDA to establish a pilot program which would assist low- and moderate-income families to purchase dairy products, possibly through the use of consumer discount coupons.

We further urge the United States Secretary of Agriculture to issue "bonus" food stamps designated specifically for the purchase of real dairy products.

3. Oilseed Crops

Oilseed crops, such as soybeans, cottonseed, and sunflowers, are taking on increased importance in the farm economy and in our export earnings. To protect the interests of producers of these commodities, more adequate support levels are needed and producers should have the option of using supply management measures and having access to the farmer-held reserve.

4. Cotton

We oppose basing the cotton loan on a fixed domestic spot market formula or the vagaries of a particular foreign cotton exchange. The cotton loan should be set on the same basis as other major commodities. Loan price premiums and discounts for grade and staple should be based on weighted actual market sale prices.

All cotton should be classed by the USDA with instrument grading being paid by USDA.

We oppose any provision in the 1985 Farm Act which would trigger importation of upland cotton.

We urge adoption of a provision making it unlawful to cut or otherwise mutilate a tied and bagged bale, unless necessary to reidentify the bale.

Permitting reclassing of government-owned cotton by processors or exporters discriminates against the producer and strong local markets at harvesttime.

We, therefore, urge that government regulations be revised to assure that the first classing of cotton prevails. The grade card showing weight, grade, and quality should be permanently affixed to the compress ticket from the time the bale is sold by the producer until it is processed.

5. Tobacco and Peanut Program

a. Tobacco

We call for strong enforcement of the existing federal law relating to grading and selling of tobacco. We should take interest in and support, when feasible, alternative marketing systems and concepts which increase farmers' marketing control over their commodities.

We urge that the poundage allotment be brought into balance with supply and demand.

Any contract should protect both the farmer and warehouses equally at the time of delivery.

b. Peanuts

Since 1936, the peanut program has operated successfully for producers, as well as providing stable supplies for consumers at fair prices. A continuation of both the quota support price system and supply control is mandatory for the peanut program's continued success. We recommend:

(1) The 1985 national quota price support level be set at $750/ton with no price differentials for types of peanuts.

(2) The minimum quota poundage for 1985 should be established at 1,600,000 tons. We recommend for the 1985 farm bill that the minimum quota poundage for 1986 be established at 1,600,000 tons. For subsequent years, estimated domestic consumption plus a 10 percent carryover be established as the quota poundage.

(3) The support rate on "additional" peanuts should be a rate estimated to result in no program losses to CCC.

(4) Maintain area grower associations.

(5) Carryover provisions should be for more than one year. The contract date for contracting additional peanuts should be before planting season begins. Provisions should be made for adjusting the farm yield base poundage for changes in cultural practices. Land cost should be included as a cost of production.

6. Livestock

We call on the officers and directors of National Farmers Union to proceed, in cooperation with other farmers' organizations, with efforts to establish a farmer-controlled nationwide computerized electronic marketing system for livestock.

We support legislation which will permit antitrust action to be taken by individuals or groups of producers affected by monopolistic practices, and which should provide for restitution for economic injury fully in accordance with anti-trust laws.

We support legislation to overturn the Supreme Court's Illinois Brick decision in which the Court ruled that only direct purchasers may recover damages directly from a manufacturer who has engaged in price-fixing. Consumers purchasing from retailers, suppliers, or other middlemen would be denied any means of redress even if the middleman passes on the overcharge to consumers.

In addition to removing the right of individual consumers to sue, the Court decision also threatens the right of state attorneys general, who were recently empowered to sue price-fixers on behalf of the citizens of their states in the Parens Patriae legislation enacted by the 94th Congress.

The ability to sue for damages is important, both as a matter of equity to compensate individual consumers and suppliers who are victims of price-fixing damages and as an effective deterrent to antitrust violations.

Therefore, we support legislation to amend the Clayton Antitrust Act to make clear that a person who suffers indirect as well as direct harm can recover damages for price-fixing.

We support adoption of legislation along the lines of the Fair Meat Trading Act, which proposes to license commercial meat price reporting services, provides severe penalties for false reporting of sales or prices, creates a Meat Industries Standards Board, and directs the USDA to prepare guidelines for a computer-based livestock marketing system.

To protect livestock producers from unfair competition and monopolistic practices, Congress should amend the Packers and Stockyards Act to strengthen its enforcement provisions, with effective penalties for violations.

We urge price stabilization programs, modeled after the wool incentive program for all livestock.

The large proportion of all fed cattle being marketed at custom feedlots requires vigilance by the USDA over those marketplaces in order to prevent conflicts of interest and to maintain a strong competitive market system. We urge USDA to reinstate its prohibition of ownership or control of custom feedlots by packers. We commend USDA for requiring registration and bonding of custom feedlot operators engaged in market agency or dealer activities.

We urge a brucellosis eradication program requiring calfhood vaccination, with adequate federal funding.

We urge Congress to control the importation of lamb which is causing serious damage to our domestic sheep industry. We recommend that Congress incorporate the following steps to protect American sheep producers, as well as consumers:

a. Investigate the pricing practices of foreign countries on United States markets during seasonable peaks of domestic lamb marketing.

b. Require conspicuous labeling showing point of origin, date of kill, whether it was frozen, and the date or dates it was subsequently refrozen.

c. A countervailing duty to offset subsidies paid to foreign lamb producers.

d. Require 100 percent of all meat imports be inspected and meet the same sanitary and quality standards as American-produced lamb and red meats.

7. Sugar

With world raw sugar markets having dropped as low as four cents a pound and with negotiations for renewal of an International Sugar Agreement (ISA) having collapsed as a result of lack of leadership by the United States and the European Community, adoption of a stronger domestic sugar program in the 1985 Farm Act becomes imperative.

Without an adequate domestic program, the United States sugar beet and sugar cane industries will disappear, eliminating jobs in the processing sector and leaving consumers at the mercy of an unstable world market.

The sugar title of the new long-range farm act should provide for a stabilization level expressed in parity and in line with projections of the cost of production.

Negotiations for a new ISA should be opened soon with the aim of including economic provisions to stabilize prices within a fair range.

8. Rice

We urge Congress to provide for a rice program which will assure a reasonable balance between supply and demand as a basis for improving the price support level, toward the objective of full parity at the earliest date.

In the absence of adequate demand, we unalterably support:

a. Limiting production.

b. Export subsidies (as our competitors do).

c. Expansion of P.L. 480-type programs.

9. Dry Edible Beans

Existing law should be amended to make dry edible beans eligible for price support loans.

10. National Wool Act

Congress should permanently extend the Wool Act with incentive levels to be based on 100 percent of parity.

11. Mushrooms

If the White House or the International Trade Commission continue to refuse to protect the domestic mushroom industry from unfair foreign competition, we urge the Congress to pass legislation to do so, including authority to impose variable tariffs on imported mushrooms used for canning. Such variable tariffs should be equal to the difference between the price of imported mushrooms and the domestic cost of production (including labor and taxes) on mushrooms used for canning.

Imported mushrooms should be required to meet the same health, sanitation, pesticide, and species standards and requirements imposed upon domestic products. Imported food products containing mushrooms, either processed or unprocessed, should be subject to the same inspection as domestic products, should be labeled as imported, and should be subject to tariffs.

Fresh mushrooms, sold at retail, should be inspected by the USDA for quality and wholesomeness under the fruit and vegetable act.

All buyers of mushrooms should be bonded to cover mushroom purchases.

12. Honey

We urge Congress to continue the present honey price support program in the 1985 Farm Act.

Harold D. Guither

Professor of Agricultural Policy
University of Illinois at Urbana-Champaign

Testimony before the
House Committee on Agriculture

Mr. Chairman, it is certainly an honor and a privilege to share with you and your committee some of the views of farmers in 17 states regarding important aspects of fiscal and trade policy, commodity programs, loan rates and target prices as you consider new agricultural legislation.

I am Harold Guither, professor of agricultural policy at the University of Illinois at Urbana-Champaign. Without the cooperative efforts of agricultural economists at 17 state universities, this report we will make this morning would not have been possible.

The participating states were: North Central: Illinois, Indiana, Kansas, Michigan, Minnesota, Nebraska, Ohio, South Dakota, Wisconsin; West: Idaho and Washington; South: Alabama, Florida, Oklahoma, South Carolina, Texas; and East, Maryland.

ABOUT THE SURVEY

Each of you has received a complete copy of our summary report. I will leave a copy for the hearing record. The survey was conducted by agricultural economists in 17 states between April and June 1984. They worked together in developing a uniform questionnaire so they could accurately identify similarities and differences of opinion across state lines and among regions of the country.

In each participating state, a sample of representative farmers was drawn by the research workers, usually in cooperation with the state crop reporting service. Altogether 8,085 farmers responded to the survey in 17 states.

The questions selected centered on the major issues that agricultural policy makers would face in 1985.

The issue on which farmers were most in agreement was that the federal deficit should be reduced to reduce interest rates. In every state a majority of farmers agreed that the budget should be balanced even if doing so required a substantial cut in all government programs including farm price supports.

MANDATORY OR VOLUNTARY PROGRAMS?

Farmers across the country were divided in their opinions on the direction they would like farm price and income support policies to take after 1985. However the survey results do reveal some preferences.

In 12 of the 17 states, respondents most frequently preferred the present voluntary programs to mandatory acreage reduction, allotments and marketing quotas, or complete elimination of these programs. However, in Nebraska, Kansas, Oklahoma and Texas, the program direction chosen by the greatest number of farmers was to require that all producers participate in a set aside program approved in a referendum, but in no state was this preference expressed by more than 30 percent of the respondents.

Although some farmers suggested eliminating all set-aside, price support and government storage programs, only in Michigan, Wisconsin, Washington, Idaho, Florida, and Maryland was this the most frequent choice among those suggested. In none of these states was this option favored by more than 35 percent of the respondents and in other states, the percentage ranged from 17 to 34 percent.

If a referendum were held the responses indicate that a majority of farmers would not vote to eliminate price and income support programs . However, the combined responses for (1) keeping voluntary programs and (2) eliminating all set-aside, price support and storage programs indicate that a referendum to establish a mandatory acreage control program would likely fail if either a simple majority or a two thirds majority were required for passage.

TARGET PRICES AND DEFICIENCY PAYMENTS

Target prices and deficiency payments were popular with farmers. Only in Wisconsin and Maryland did more farmers oppose than favor continuation. In 9 of the 17 states more than 50 percent wanted them continued. The least support for target prices was in Michigan, Wisconsin, Idaho, Washington, and Maryland.

Fewer farmers in these states get payments as large as those received by many farmers in the major grain producing states. Greater support for continuing the target prices came from farmers with larger annual sales volumes and from grain farmers.

Farmers were also divided in their opinions where target prices should be set compared to 1984 if the program is continued. In 13 states more farmers preferred that they be kept the same than wanted them changed. In Nebraska, South Dakota, Idaho, and Texas, however, more farmers preferred that they be increased rather than kept the same or reduced. The preference in these states for increased target prices may be due to higher risks associated with farming, the occurrence of drouth and other losses in recent years, and the benefits received from deficiency payments when target prices are higher.

Grain farmers and those producing both grain and livestock supported higher target prices more strongly than did livestock and dairy farmers. More of the latter group preferred that they remain unchanged. Only a small segment of farmers preferred lower target prices.

SETTING LOAN RATES

Over the years since the first price support legislation was passed, loan rates for storable commodities have been based on (1) a percentage of parity, (2) a percentage of the average market price at designated times and places, (3) the estimated cash cost of production, or (4) a compromise among various interests in the legislative process.

Farmers were asked whether they agreed or disagreed with the statement that loan rates for price supported commodities should be based on a percentage of the average market price for the past 3 to 5 years.

In 10 of the 17 states, a majority of the farmers agreed with this statement. In all states surveyed but one, more farmers agreed than disagreed. In South Dakota, about the same percentage agreed and disagreed.

The farmers' gross sales volume did not seem to be associated with their views on this issue. The responses in some states showed more support from grain farmers. In other states, however, no difference could be detected among the responses of grain, livestock and dairy farmers.

MORE BENEFITS FOR SMALLER FARMS

In 15 of the 17 states, a higher percentage of farmers agreed than disagreed with the proposition that future farm programs should be changed to give the most benefits to small scale farmers with gross sales less than $40,000. In Texas and Washington, a higher percentage disagreed. The strongest support for providing greater program benefits to small scale farmers was recorded in Maryland, in the north central states, and in the South except for Texas.

As one would expect, farmers with gross sales less than $40,000 showed very strong agreement with the proposal, whereas those with larger gross sales were strongly opposed to the idea. The farmers' major source of income did not seem to affect the response to this question..

PAYMENT LIMITATIONS

The 1981 Agricultural and Food Act placed a limit of $50,000 on direct payments to any individual. Respondents were asked what payment limitation policy they preferred. The preference expressed most frequently in 13 of the 17 states was to make no change. In four states--Ohio, Wisconsin, Alabama, and !Maryland--the most frequent preference was to decrease the $50,000 limit. Fewer than 17 percent of the respondents in each state wanted the limit eliminated completely. Responses were closely related to the farmers' gross sales volume.

MAKING MAJOR PROGRAM CHANGES

What if budget constraints required major changes in farm price support programs? Farmers survey were asked to choose among a low "safety net" loan and target price program, a farm income insurance plan, or a plan they could suggest themselves. In every state except Florida, more farmers preferred a low "safety net" loan and target price program to a farm income insurance plan. Fewer than 19 percent proposed an alternative plan.

SOIL CONSERVATION AND PRICE SUPPORT

Respondents were asked whether they agreed or disagreed with a statement that all farmers should be required to follow recommended soil conservation practices on their farms to qualify for farm price support benefits. A majority of farmers--from 57 to 71 percent--in every state surveyed agreed with this recommendation.

Operators of all sizes and types of farms concurred. It appears that farmers are more in agreement on this question than on most other issues covered in the survey. However, no explanation or definition of approved soil conservation plans was given, and the costs of following such plans were not mentioned. These issues could affect the response, depending on the individual farmer's situation.

THE FARMER-OWNED RESERVE

Closely related to supporting prices through loans and target prices are the issues related to the farmer-owned reserve. In 16 of the 17 states in which the survey was conducted, more farmers wanted to see the farmer-owned reserve continued than discontinued. In the state of Washington, the response was evenly divided at 40 percent with 20 percent not sure or not responding.

Respondents were also asked to indicate which of several policies they preferred concerning the size of the reserve. In all states, the most frequent choice was to limit the reserve based on a percentage of the previous year's use. This preference was expressed by farmers in all sales classes and with various sources of farm income.

AGRICULTURAL TRADE POLICY

Farmers strongly supported increasing agricultural exports. They favored matching export subsidies of our competitors, encouraging lower trade barriers by major importers of our agricultural products, promoting bilateral trade agreements, providing more funds for food aid, strengthening the General

Agreements on Tariffs and Trade, and expanding farmer-financed market development programs.

SUMMARY AND CONCLUSIONS

Farmers are divided on many of the issues concerning price and income support programs. However, based on the responses from more than 8,000 farmers in 17 states, on a few issues a majority or near majority agree.

In most states, a majority want to see target prices and deficiency payments continued but they are divided on whether they should be higher, lower, or about the same as in 1984.

In most states, a majority would favor setting loan rates based on a percentage of the 3 to 5 year average market price.

A majority of respondents in every state favor a requirement that farmers follow recommended soil conservation practices on their farms to qualify for price support benefits.

If budget limits require major changes in price support programs, farmers would prefer a lower level loan and target price program over an income insurance or other program.

Farmers generally support an effort to provide greater benefits to farmers with lower gross sales.

Farmers would like to see the farmer-owned reserve continued and that a limit based on a percentage of the previous year's use should should be placed on it.

Other issues covered in the survey dealt with credit, food assistance, federal crop insurance, program administration, and soil conservation. We feel the survey was a useful way to determine views of a representative group of farmers.

REFERENCES

Guither, Harold D., Bob F. Jones, Marshall A. Martin, Robert G. F. Spitze, U.S. Farmers' Views on Agricultural and Food Policy, North Central Regional Extension Publication 227, North Central Regional Research Publication 300, December 1984. Published at the University of Illinois at Urbana-Champaign.

(Attachments follow:)

Table 1. Participating States, Size of Sample, and Number of Usable Responses.

Region and state	Number of farmers in sample	Number of usable responses	Response percentage
North Central			
Illinois	1,500	527	35
Indiana	1,975	733	37
Kansas	3,000	995	33
Michigan	1,200	441	37
Minnesota	1,500	368	25
Nebraska	1,500	406	27
Ohio	2,000	423	21
South Dakota	1,500	480	32
Wisconsin	1,500	250	17
West			
Idaho	1,433	558	39
Washington	993	192	19
South			
Alabama	1,479	284	19
Florida	1,466	287	20
Oklahoma	1,750	645	37
South Carolina	1,000	588	59
Texas	1,851	645	35
East			
Maryland	1,000	263	26
Total	26,647	8,085	30

Table 2. Preferred Policy on Production and Price Supports after 1985.

Region and state	Keep voluntary programs	Require all producers to participate in set-aside program	Reestablish acreage allotments and marketing quotas	Eliminate set-aside, price-support, and government storage programs	Undecided	Other	No response
			percentage of respondents				
North Central							
Illinois	33	23	8	21	6	7	2
Indiana	31	22	8	26	9	3	2
Kansas	22	26	11	20	9	9[a]	4
Michigan	28	16	8	32	8	4	4
Minnesota	32	19	12	24	5	5	2
Nebraska	25	28	9	22	7	6	3
Ohio	33	17	10	29	6	4	2
South Dakota	26	14	12	28	8	9	3
Wisconsin	21	16	10	36	9	7	2
West							
Idaho	25	13	9	34	8	7	4
Washington	25	16	5	36	7	5	5
South							
Alabama	28	14	15	21	11	2	9
Florida	27	14	17	28	9	2	3
Oklahoma	26	29	...	17	...	23[b]	5[c]
South Carolina	26	26	10	18	6	10	4
Texas	15	45	15	8	5	2	10
East							
Maryland	26	14	10	33	8	4	5

[a] Six percent preferred bushel quotas.

[b] Twelve percent preferred eliminating all acreage reduction and price-support programs and retaining deficiency payments only for medium and small farms. Eleven percent preferred eliminating acreage controls and establishing a two-price plan with a higher price for domestic sales and a lower world price for export sales.

[c] Combined percentage of those who did not respond and those who suggested other programs not included in note b.

Table 3. Opinions on Continuation of Target Prices and Deficiency Payments in the 1985 Farm Bill.

Region and state	Continue	Do not continue	Not sure	No response
		percentage of respondents		
North Central				
Illinois	58	30	10	2
Indiana	52	31	15	2
Kansas	61	25	12	3
Michigan	44	42	2	12
Minnesota	54	29	13	3
Nebraska	60	28	11	1
Ohio	48	37	13	2
South Dakota	67	22	9	3
Wisconsin	33	46	14	7
West				
Idaho	45	40	12	3
Washington	44	42	10	4
South				
Alabama	45	27	19	9
Florida	44	35	18	3
Oklahoma	62	24	14[a]	...
South Carolina	52	25	15	8
Texas	75	11	6	8
East				
Maryland	32	43	24	2

[a] Includes those who did not respond.

Table 4. Preferred Future Target Prices Compared with Those of 1984.

Region and state	Higher	About the same	Lower	No opinion	No response
		percentage of respondents			
North Central					
Illinois	34	41	8	9	8
Indiana	35	37	7	10	11
Kansas	35	39	5	8	13
Michigan	27	32	10	10	20
Minnesota	33	38	6	9	15
Nebraska	44	30	5	9	12
Ohio	30	34	9	10	17
South Dakota	42	41	5	9	3
Wisconsin	12	32	10	9	38
West					
Idaho	25	20	2	4	49
Washington	17	29	6	5	44
South					
Alabama[a]	21	29	13	15	23
Florida	29	31	5	18	17
Oklahoma	31	45	7	17[b]	...
South Carolina	31	35	4	12	18
Texas	56	24	3	6	11
East					
Maryland	18	32	12	20	17

Table 5. Opinions on Continuation of Acreage Diversion Payments.

Region and state	Continue	Do not continue	Not sure	No response
	percentage of respondents			
North Central				
Illinois	49	36	13	2
Indiana	46	38	13	2
Kansas	57	30	10	3
Michigan	43	46	9	2
Minnesota	57	30	10	3
Nebraska	58	30	11	1
Ohio	47	38	13	3
South Dakota	60	27	11	2
Wisconsin	34	50	9	7
West				
Idaho	43	44	10	4
Washington	39	46	10	5
South				
Alabama	37	41	16	6
Florida	47	37	13	3
Oklahoma	57	32	10[a]	...
South Carolina	50	29	13	8
Texas	72	15	5	8
East				
Maryland	34	48	15	3

[a] Includes those who did not respond.

Table 6. Opinions on Continuation of the Farmer-Owned Grain Reserve.

Region and state	Continue	Do not continue	Not sure	No response
	percentage of respondents			
North Central				
Illinois	48	30	20	2
Indiana	49	26	24	2
Kansas	45	31	22	2
Michigan	46	30	21	3
Minnesota	59	25	13	3
Nebraska	61	24	13	2
Ohio	51	28	20	2
South Dakota	57	23	18	2
Wisconsin	43	34	17	6
West				
Idaho	46	31	19	3
Washington	40	40	16	4
South				
Alabama	50	19	23	8
Florida	53	22	23	2
Oklahoma	46	32	22[a]	...
South Carolina	45	21	26	8
Texas	45	22	24	9
East				
Maryland	45	24	28	3

[a] Includes those who did not respond.

Table 7. Preferred Policy for Limiting the Size of the Grain Reserve.

Region and state	No limit on size of reserve	Let Secretary of Agriculture set limit	Set limit based on percentage of previous year's use	Not sure	No response
	percentage of respondents				
North Central					
Illinois	9	18	47	18	8
Indiana	10	15	47	20	9
Kansas	9	14	41	23	13
Michigan	13	13	43	18	14
Minnesota	13	16	42	18	11
Nebraska	13	16	44	18	10
Ohio	11	13	50	13	13
South Dakota	10	17	49	21	3
Wisconsin	6	10	45	14	25
West					
Idaho	8	8	26	8	49
Washington	11	7	23	9	50
South					
Alabama	12	14	41	19	14
Florida	11	15	44	21	9
Oklahoma	9	14	47	30	...
South Carolina	9	14	40	20	17
Texas	13	9	40	25	13
East					
Maryland	7	11	47	22	13

Table 8. Responses to the Statement that Loan Rates Should Be Based on a Percentage of the 3-to-5-Year Average Market Price.

Region and state	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	No response
			percentage of respondents			
North Central						
Illinois	9	46	17	14	10	4
Indiana	8	42	20	17	8	5
Kansas	6	34	20	20	13	6
Michigan	10	42	19	16	10	4
Minnesota	12	40	16	19	9	4
Nebraska	10	34	20	19	12	6
Ohio	10	42	18	16	9	5
South Dakota	4	33	21	24	14	4
Wisconsin	8	44	20	12	10	5
West						
Idaho	10	36	20	17	12	5
Washington	8	36	21	16	12	7
South						
Alabama	15	40	20	10	6	9
Florida	13	47	16	12	8	4
Oklahoma	10	45	18	15	9	3[a]
South Carolina	12	47	15	12	4	10
Texas	13	32	15	16	14	10
East						
Maryland	7	39	26	12	7	10

[a] Includes those who made other responses or did not respond.

U.S. Farmers' Views On Agricultural And Food Policy

A Seventeen-State Composite Report

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Introduction

The prospect for new agricultural and food legislation in 1985 is stimulating extensive debate about the issues to be addressed. A number of conferences have been held to consider the issues. Hearings by Congressional committees and listening sessions called by the Secretary of Agriculture have provided numerous opportunities for the leaders of farm, agribusiness, and consumer organizations to express their views. But what about farm producers who do not serve as officers or board members of these organizations? Have their views been heard?

To learn more about the opinions of individual farmers, a survey was conducted in 17 states representing all regions of the nation. The study was a cooperative effort carried out by many people who believed that opinions of representative groups of farmers could contribute to the educational and policy-making process.

The results of the study are of potential value to many different groups. Policy educators can more fully carry out their responsibilities when they know how farmers view specific issues. Farm and commodity organization leaders can learn whether their resolutions and policy positions align with the views of a scientifically drawn sample of all farmers. Agribusiness leaders and citizen groups can also benefit from knowledge of farmers' views on the major issues. Policy makers in Congress and the executive branch of the federal government can use the information to determine whether a consensus exists on specific policy issues.

Policy research workers in the participating states cooperated in developing a uniform questionnaire so that they could accurately identify similarities and differences of opinion across state lines and among regions of the country. Questions selected for the survey centered on the major issues that agricultural policymakers will face in 1985: policies on price and income support, credit, trade, food assistance, program costs, and fiscal matters as they affect agriculture.

After the questionnaire was developed, each participating state carried out its own portion of the survey independently. In all states except Texas, samples were drawn by or with the assistance of the state crop reporting service to attain a representative sample of the state's farmers. In Texas, a representative sample was selected by agricultural economists at Texas A&M University. The questionnaires were mailed from March through June 1984. The size of sample, number of responses, and percentage return are shown in Table 1. A total of 8,085 farmers responded.

The response rate varied from state to state. No effort was made to sample nonrespondents to determine whether their views differed from those who did respond. However, the participating researchers' previous experience with similar telephone and personal interviews suggests that the responses reported here are very likely to be representative. These findings are reported as representing the views not of all U.S. farmers but only of those in the participating states. The responses are likely to be less representative in those states where the response rate was lower.

Tables showing responses to each question by state are presented after the text (page 15). A copy of the questionnaire is reproduced on pages 41 through 44. References are made in the text to the appropriate table numbers and to the numbered questions in the questionnaire. In most states, responses were tabulated by size and type of farm. Significant differences in the responses of farmers with different farm sizes or types of operations are noted in the text. The response percentages given in the tables have been rounded to whole numbers and therefore may not total 100 percent in every category.

The 17 states in which the survey was conducted represented 50 percent of all U.S. cash receipts from farming in 1982, and they included 49.6 percent of all farms in the nation. These states marketed 58 per-

Some Terms Used in this Report

Target prices. Prices established by law for certain crops. If the market price does not equal the target price, qualifying farmers receive a **deficiency payment** to make up the difference.

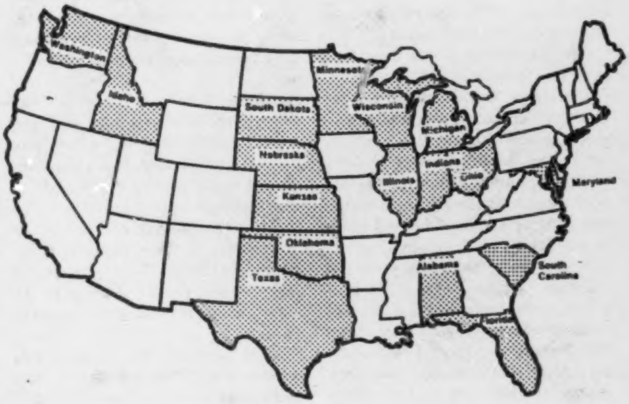
Loan rate. The rate (in dollars per unit of product) used in determining the amount of money that the government will lend to enable farmers to hold their product for later sale. The loans are available only to qualifying farmers for eligible crops.

Payment-in-Kind program (PIK). The program widely used in 1983 that provided commodities to farmers as payment for reducing their acreage of certain crops.

cent of the meat animals, 50 percent of the dairy products, 51 percent of the food grains, 67 percent of the feed crops, 51 percent of the oilseed crops, and 34 percent of the cotton sold in the United States.

Surveys were also conducted in at least two other states in 1983 and 1984 to solicit farmers' views on agricultural and food issues. At the University of Missouri, agricultural economists surveyed farm leaders and young farmers. Rural sociologists conducted a survey on farm policy issues through the Missouri Farm and Rural Life Poll.[1,2,3] In Iowa, a portion of the Iowa Farm and Rural Life Poll in the fall of 1983 and spring of 1984 was devoted to agricultural policy issues[4].

States Participating in the Survey


Washington
Idaho
Minnesota
South Dakota
Nebraska
Kansas
Oklahoma
Texas
Wisconsin
Michigan
Illinois
Indiana
Ohio
Maryland
Alabama
South Carolina
Florida

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[1] Harold F. Breimyer and Meredith M. Burks, "Opinions of Leading Missouri Farmers About Farm Policy, 1983," *Economic and Marketing Information for Missouri Agriculture* 26:7 (July 1983), Department of Agricultural Economics, Cooperative Extension Service, University of Missouri, Columbia.

[2] "Young Family Farmers' Opinions on Farm Policy," *Economic and Marketing Information for Missouri Agriculture* 26:9 (September 1983).

[3] "Farm Issues and Policy Concerns: Highlights of Agricultural Issues," Department of Rural Sociology, University of Missouri, Columbia, 1983 (mimeo).

[4] Paul Lasley, *Iowa Farm and Rural Life Poll, Summary, Fall 1983*, November 1983, *Summary, Spring 1984*, June 1984, Cooperative Extension Service, Iowa State University, Ames.

Summary

The 8,085 farmers in 17 states who responded to the questionnaire expressed a wide range of views on agricultural and food issues.

One group of questions dealt with price and income support programs. Respondents' opinions were divided on the direction that commodity programs should take, but they generally agreed on the instruments to carry out these policies. Although they did not agree on whether acreage reduction programs should be voluntary or mandatory, producers in 12 of the 17 states more frequently preferred voluntary programs. Mandatory programs were more popular in the wheat-producing Great Plains states from Nebraska to Texas. Reestablishing acreage allotments and marketing quotas, another form of mandatory program, was not a popular alternative.

Although sentiment for completely eliminating set-aside, price-support, and government storage programs was expressed by some producers, they were far from a majority. They made up a large enough group, however, that if they joined forces with those who supported voluntary programs, they could block efforts to set up any mandatory acreage reduction programs requiring approval by a two-thirds majority of farmers.

Responses to questions about specific program instruments showed that a majority of those surveyed were in favor of continuing target prices and deficiency payments. Respondents were divided in their opinions on the level at which target prices should be set, but the sentiment in a majority of the states was to keep them about the same rather than increase or decrease them. Opinions also varied on whether acreage diversion payments should be continued, but in a majority of the states more farmers preferred that they be continued than wanted them abandoned.

A majority favored continuing the farmer-owned reserve and would prefer that a limit be set on the amount placed in the reserve based on a percentage of the previous year's use.

Although not a majority in every state, more farmers agreed than disagreed with a proposal to set loan rates for price-supported commodities at a percentage of the 3-to-5-year average market price.

Respondents were also divided in their views on the future use of the payment-in-kind (PIK) program if large stocks should appear. In 11 states, more favored than opposed its use.

More respondents in 15 states agreed than disagreed that future farm programs should be changed to give the most benefits to smaller farms with annual gross sales of less than $40,000.

Opinions were divided on payment limitations, but respondents seemed to prefer making no change in the $50,000 limit on direct payments. If major program changes are required, more farmers would prefer a low "safety-net" loan and target-price program than would prefer a shift to some form of farm income insurance.

A strong majority of the respondents believed that to qualify for price support a farmer should be required to follow approved soil conservation measures. A majority also favored giving more funds to those states with the most severe erosion problems.

Respondents were divided in their views on whether dairy farmers should be paid to cut production if milk output is still excessive in 1985. More seemed to oppose continuation of the program than to support it. Although the sample of dairy farmers responding was small, their responses suggested that the milk incentive program in effect during 1984 and early 1985 is not likely to result in any large change in cow numbers.

The most preferred policy for dealing with natural disasters was to continue the present federal all-risk crop insurance program. Some farmers would prefer to return to government-funded disaster payments or to eliminate all disaster payment and crop insurance programs, but in most states they were in a minority. Judging from the number of respondents who said they had no opinion or did not respond, farmers are not well informed about federal crop insurance. About half or more either had no opinion or did not respond to a question on the value of crop insurance, the extent of coverage, and whether the program is easy to understand. Among those who expressed an opinion, the most frequent reply was that the program is expensive, that coverage is inadequate, and that it is difficult to understand.

Asked about the credit policy for Farmers Home Administration borrowers, respondents favored continuing the present policy of not foreclosing until all repayment efforts have failed. A small proportion of the respondents favored a moratorium on all foreclosures, a moratorium for selected young farmers, or a stricter policy on delinquent loans.

Respondents were sharply divided on the issue of who should make major farm commodity policy decisions. The most frequent response in 14 states was to let producers organize, control, and finance their own programs. An independent board or commission representing producers, agribusinesses, and consumers and acting under Congressional guidelines was attractive to about one-fourth of the respondents. About one in four preferred to continue the present system in which Congress writes and the Secretary of Agriculture and the executive branch implement commodity program legislation. The division of opinion on this issue indicated some dissatisfaction with the present decision-making system.

The food stamp program was not popular with producers. Most respondents would prefer to keep food stamp expenditures about the same, decrease them, or eliminate them completely. Only a few favored increasing expenditures.

Respondents strongly supported increasing agricultural exports. They were in less agreement, however, about how to do it. In general, farmers agreed with these policies:

- Matching export subsidies of our competitors
- Encouraging lower trade barriers by major importers of our agricultural products
- Promoting bilateral trade agreements
- Providing more funds for food aid
- Strengthening the General Agreement on Tariffs and Trade
- Expanding farmer-financed market development programs.

In contrast, respondents' views were divided on these policies for increasing exports:

- Lowering U.S. support prices
- Establishing a marketing board
- Joining an export cartel with other exporting countries
- Setting up a two-price plan with higher prices in the domestic market than in the export market.

Farmers were concerned about the economic consequences of large federal deficits. About four out of five respondents wanted to reduce the deficit to decrease interest rates. In addition, more than three-fourths favored reducing the deficit to decrease the debt burden on future generations. Respondents were divided on a proposal to freeze federal expenditures and raise taxes. A majority probably favored freezing expenditures but less than half wanted higher taxes. A majority in every state favored balancing the budget by cutting all government programs, including farm price supports.

(The complete report is held in the committee files.)

TESTIMONY OF DR. JAMES A. KITTRICK, PROFESSOR OF SOILS, FOR THE SIERRA CLUB

MR. CHAIRMAN, MR. VICE CHAIRMAN, AND MEMBERS OF THE COMMITTEE, I AM JIM KITTRICK. I AM A PROFESSOR OF SOILS AT WASHINGTON STATE UNIVERSITY, AND CHAIRMAN OF WSU'S ENVIRONMENTAL SCIENCE AND REGIONAL PLANNING PROGRAM. TODAY, I AM REPRESENTING THE SIERRA CLUB, ONE OF THE NATION'S OLDEST CONSERVATION ORGANIZATIONS, WITH 355,000 MEMBERS ORGANIZED IN CHAPTERS AND GROUPS THROUGHOUT ALL FIFTY STATES.

IN THE PAST SEVERAL MONTHS, THE FARM DEBT CRISIS HAS GRABBED THE HEADLINES AND CONGRESS' ATTENTION. BUT THERE IS ANOTHER, SILENT AGRICULTURAL CRISIS THAT ALSO THREATENS THE LONG-TERM HEALTH OF OUR ECONOMY AND ENVIRONMENT. THAT CRISIS IS SOIL EROSION. THE SIERRA CLUB BELIEVES THAT THE 1985 FARM BILL IS THE BEST OPPORTUNITY TO ADDRESS THE EROSION CRISIS.

I'VE LIVED IN PULLMAN, WASHINGTON FOR 30 YEARS. PULLMAN IS CENTERED IN THE HEART OF THE PALOUSE REGION, WHERE SOFT WHITE WHEAT IS GROWN. EROSION IN THE PALOUSE REGION AVERAGES 14 TONS PER ACRE A YEAR. THE PHOTOS ATTACHED TO MY TESTIMONY DOCUMENT THE EROSION DAMAGE. THE SLOPE IN THE FIRST PICTURE LOSES 300 TONS OF SOIL A YEAR TO EROSION. IN THE PALOUSE REGION, WE LOSE APPROXIMATELY 5 1/2 BUSHELS OF TOP SOIL FOR EVERY BUSHEL OF WHEAT WE GROW.

IN THE 1970'S, GOVERNMENT POLICY AND FARM PROGRAMS ENCOURAGED FARMERS TO CONVERT MARGINAL, HIGHLY ERODIBLE GRASS OR PASTURE LANDS INTO CROP LANDS. THIS SODBUSTING OCCURED IN MANY MAJOR AGRICULTURAL AREAS. NATIONWIDE, NEARLY ONE FOURTH OF OUR CULTIVATED LANDS LOSE AT LEAST TWICE THE TOLERABLE AMOUNT OF SOIL EVERY YEAR.

GENERALLY, THE TOLERABLE LOSS RATE IS FIVE TONS PER ACRE A YEAR FOR MOST LANDS, WHICH IS ABOUT THE THICKNESS OF A DIME. IN WASHINGTON, WE LOSE ABOUT 3 1/2 DIMES DEPTH OF SOIL ANNUALLY ON OUR HIGHLY ERODIBLE LAND. THIS MAP INDICATES THE AMOUNT OF EROSION ON CULTIVATED LAND IN EACH STATE WHERE EROSION IS AT LEAST TWICE THE TOLERABLE RATE. THE STATES WITH THE WORST EROSION ARE IN PURPLE AND ORANGE.

AS A SOIL SCIENTIST, I BELIEVE THAT SOIL EROSION THREATENS THE LONG TERM PRODUCTIVITY OF AMERICAN AGRICULTURE BY STRIPPING OUR LANDS OF OUR PRODUCTIVE TOPSOIL. WHEAT PRODUCTION WOULD BE AT LEAST 25 PERCENT HIGHER IN THE PALOUSE REGION WERE IT NOT FOR EROSION.

AS A CONSERVATIONIST, I RECOGNIZE THE IMMEDIATE THREAT SOIL EROSION POSES TO THE ENVIRONMENT. RUNOFF FROM FARMLAND IS ONE OF THE PRIME SOURCES OF UNTREATED WATER POLLUTION. ENOUGH SOIL WASHES OFF OUR FARM LANDS AND INTO STREAMS AND LAKES EACH YEAR TO COVER INDIANA WITH AN INCH OF SOIL. SEDIMENT, FERTILIZERS, HERBICIDES, AND PESTICIDES CHOKE OUR RIVERS AND POISON OUR FISH. THIS EROSION CAUSES AN ESTIMATED $2 BILLION A YEAR IN DAMAGES TO WATER QUALITY AND NAVIGATION.

OUR WETLANDS--VITAL FOR WATERFOWL HABITAT, FLOOD CONTROL, AND AQUATIC LIFE--ARE ALSO THREATENED BY AGRICULTURE. NEARLY HALF OF THEM HAVE BEEN FILLED OR DRAINED. THE OFFICE OF TECHNOLOGY ASSESSMENT ESTIMATES THAT FOUR OUT OF EVERY FIVE ACRES OF WETLANDS LOST ARE DESTROYED FOR AGRICULTURE PRODUCTION. UNFORTUNATELY, FARM POLICIES THAT ENCOURAGE INCREASES IN CROP PRODUCTION ALSO ENCOURAGE THE DESTRUCTION OF CRITICAL DUCK HABITAT, SUCH AS THE BOTTOMLAND HARDWOODS OF THE MISSISSIPPI RIVER

VALLEY, TO PRODUCE SOYBEANS AND OTHER CROPS WHICH ARE IN SURPLUS.

EXISTING SOIL CONSERVATION PROGRAMS HAVEN'T STEMMED THE EROSION TIDE, PARTICULARLY FROM THE TWELVE PERCENT OF THE LAND WHICH CAUSES NEARLY HALF THE EROSION. WE NEED TO BUILD A PERMANENT FOUNDATION TO HALT THE EROSION CRISIS, RATHER THAN CONTINUE THE EXPENSIVE BAND-AID APPROACH OF CURRENT PROGRAMS. THIS NEW APPROACH MUST RECONCILE PRIVATE OWNERSHIP RIGHTS WITH THE NEED TO PROTECT SOIL AND WATER RESOURCES FOR FUTURE GENERATIONS.

LAST YEAR, THIS COMMITTEE PIONEERED EFFORTS TO SAVE OUR SOIL AND STREAMS BY AUTHORING "THE SOIL CONSERVATION ACT OF 1984," HR 3457. THIS BILL REPRESENTS A POSITIVE FIRST STEP TOWARDS SOLVING THE EROSION CRISIS. THE SIERRA CLUB'S RECENT REPORT RESOURCE CONSERVATION: NEW OPPORTUNITIES IN THE 1985 FARM BILL, WHICH I WOULD LIKE TO SUBMIT FOR THE RECORD, DEMONSTRATES CONCLUSIVELY THAT WE MUST GO BEYOND HR 3457 TO FIGHT EROSION ON HIGHLY ERODIBLE, MARGINAL FARMLANDS.

THE SIERRA CLUB URGES THE HOUSE COMMITTEE ON AGRICULUTURE TO INCLUDE THE FOLLOWING PROVISIONS IN THE 1985 FARM BILL. THESE PROGRAMS WOULD REDUCE SOIL EROSION BY AT LEAST 25 PERCENT, AND WOULD DRASTICALLY IMPROVE WATER QUALITY AS WELL.

END FEDERAL SUPPORT FOR SODBUSTING. FARMERS THAT CULITVATE HIGHLY ERODIBLE LANDS WHICH HAVE NOT BEEN CULTIVATED DURING THE PAST FIVE YEARS SHOULD BECOME INELIGIBLE FOR PARTICIPATION IN ALL FEDERAL FARM PROGRAMS

FOR ALL CROPS AND LANDS IN PERPETUITY, UNLESS THEY IMPLEMENT A CONSERVATION PLAN WHICH REDUCES EROSION TO A TOLERABLE RATE.

END FEDERAL SUPPORT FOR "SWAMPBUSTING." FARMERS THAT DRAIN, FILL, OR OTHERWISE CONVERT WETLANDS INTO CROPLANDS SHOULD BECOME INELIGIBLE FOR PARTICIPATION IN ALL FEDERAL FARM PROGRAMS FOR ALL CROPS AND LANDS IN PERPETUITY.

CONVERT HIGHLY ERODIBLE CROP LANDS TO SUSTAINABLE USES. A THIRTY MILLION ACRE CONSERVATION RESERVE SHOULD BE CREATED TO ENCOURAGE FARMERS TO CONVERT HIGHLY ERODIBLE CROP LANDS TO LESS EROSIVE USES LIKE PASTURE OR TIMBER. FARMERS WOULD BE PAID AN ANNUAL FEE DURING THE TEN YEAR LIFE OF THE RESERVE CONTRACT. HIGHLY ERODIBLE LAND IN THE RESERVE PROGRAM WOULD BE INCLUDED IN THE SODBUSTER PROGRAM AFTER THE TEN YEAR CONTRACT EXPIRES.

INTEGRATE CONSERVATION INTO COMMODITY PROGRAMS. FARMERS THAT PARTICIPATE IN FEDERAL FARM PROGRAMS SHOULD BE REQUIRED TO REDUCE EROSION FROM THEIR LANDS TO A TOLERABLE LEVEL.

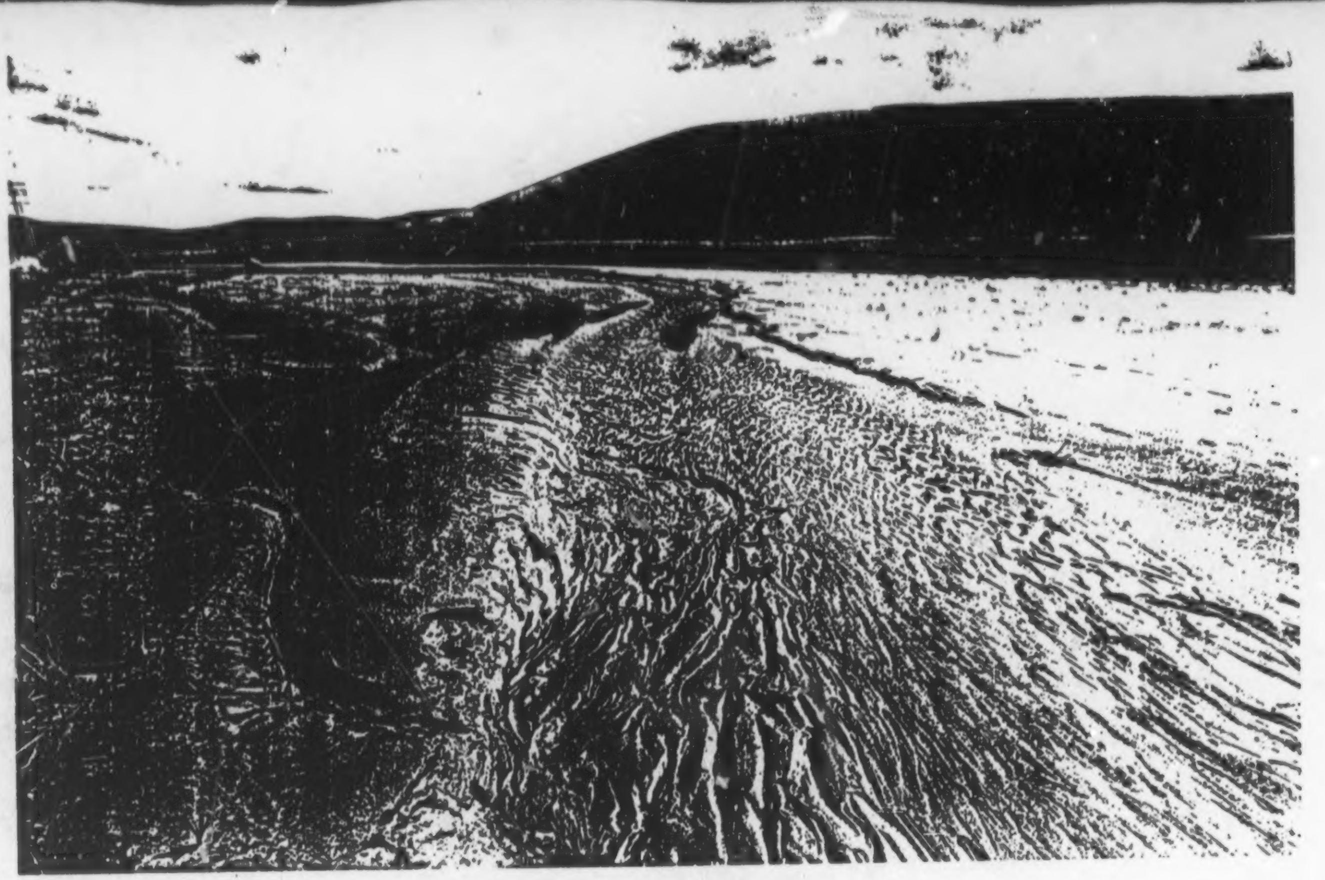
ENDING INCENTIVES WHICH ENCOURAGE SODBUSTING AND SWAMPBUSTING AND CREATING A CONSERVATION RESERVE PROGRAM ARE SIMPLY IN THE BEST INTEREST OF OUR COUNTRY. WE CANNOT AFFORD TO LOSE OUR VITAL NON-RENEWABLE SOIL OR DEGRADE OUR WATERS. FARMERS WOULD ALSO BENEFIT FROM CONSERVATION PROGRAMS BECAUSE THEY WOULD REDUCE CROP OVERPRODUCTION FROM MARIGINAL, COSTLY-TO-FARM LAND. THE CONSERVATION RESERVE WOULD PROVIDE THE RESOURCES NEEDED TO CONVERT MARGINAL FARMLANDS INTO SUSTAINABLE USES, AND PROVIDE FARMERS WITH BADLY NEEDED CASH INCOME.

THE SIERRA CLUB'S GOAL IS TO PROTECT OUR PRECIOUS SOIL AND WATER RESOURCES AND HELP OUR FARMERS, TOO.

(Attachments follow:)

Slope in Palouse, Eastern Washington.
Soil erodes at a rate of 300 tons per acre.

-- USDA-Soil Conservation Service



Palouse, Eastern Washington.
Severe erosion on land planted in wheat.

-- USDA-Soil Conservation Service

Statement By
John R. Block
Secretary of Agriculture
Before the
Committee on Agriculture
U.S. House of Representatives

March 20, 1985

Mr. Chairman and Members of the Committee, it is a pleasure to be here to help initiate the legislative process that will ultimately decide the future of our agricultural sector. Early last year, I began the preparation of our agricultural legislation by holding a series of listening sessions throughout the country to seek input from farmers, agribusiness, and consumers on the future direction of our agricultural policy. While a wide variety of views were expressed, there was one common and overriding theme in these sessions--the current agricultural programs are simply not working!

Under the 1981 Farm Bill the Federal Government will spend over $63 billion on commodity programs that have directly benefitted only about half of U.S. agriculture. Despite these expenditures, U.S. agriculture and its related businesses have still not experienced the economic recovery that other sectors of the economy have witnessed. In fact, in just the five months ending this April, the Commodity Credit Corporation will have put an additional $12 billion in cash into the farm sector. And some feel even more direct Government assistance is necessary!

More of the same is not the answer to agriculture's difficulties. Over 50 years ago, in 1933, the Agricultural Adjustment Act laid the groundwork for current farm programs. The 1933 Act was the Government's response to an unprecedented economic crisis in farming. It is apparent however, that the New Deal programs are not working for today's agriculture. The sooner we respond to the realities of today's agriculture with appropriate agricultural policy, the sooner we will achieve our common objective of a growing, productive and profitable agricultural sector.

We now have the opportunity to chart a new course for agricultural policy, one that recognizes the strengths of our agricultural sector and allows our farmers to take advantage of these strengths. The Agricultural Adjustment Act of 1985 (AAA) is designed to achieve this redirection. If it is implemented, U.S. agriculture will continue to be one of the most efficient, productive and competitive industries in this country and, indeed, in the world.

One of the most important ideas to keep in mind as we design a new agricultural policy is that other policies have become equally important--or perhaps even more important--to the sector's well-being. Agriculture has become integrated into the broader economy, and its health is very sensitive to the levels of world economic activity, interest rates, inflation and exchange rates.

Today, a one-percentage point change in the general inflation rate results in about a $1.5 billion change in annual farm production expenses. Farmers now purchase more than three-fourths of their production items from outside sources, compared with about one-fifth in 1930. Besides production costs, inflation also pushes up land values--for example, the inflationary spiral of the 1970's pushed land values up at annual rates of nearly 15 percent. Of course, once inflation had fallen relative to interest rates, land values began to drop--in some cases to 1977 levels in some Cornbelt and North Central states.

As American farms have expanded in size, farmers have increasingly used debt to finance purchases. With increasing debt and higher interest rates, interest expenses now account for nearly 20 percent of farmers' total cash outlays, compared to only 10 percent in the early 1970's. A one percentage point change in interest rates on all outstanding farm debt may translate into a $2 billion to $3 billion change in net farm income.

While high interest rates increase farm expenses, the increasing value of the dollar has reduced agricultural exports. We have seen ample evidence of the effects. From 1980 to 1984 the weighted average exchange value of the dollar increased by nearly 60 percent and the value of our agricultural exports declined by nearly 20 percent.

In addition to the strong dollar, the lingering effects of the world-wide economic recession have contributed to the 10 percent decline in export tonnage experienced since 1979/80. Developing countries, which were hit particularly hard by both the recession and tremendous debts financed at high interest rates, account for over a third of U.S. agricultural product exports. Total U.S. agricultural exports now account for production from about 100 million acres.

In sum, progress in achieving desired economic growth, keeping inflation low, and reducing the Federal budget deficit could very well have a greater impact on the well-being of farmers over the next several years than farm programs. As agricultural policy is developed in the coming months, it is important that we not lose sight of these linkages or forget that the linkages will become stronger and stronger as the agricultural economy continues to change in character and composition. Domestic farm programs alone cannot ensure a healthy agricultural economy, but they can do irreparable damage if they are not based on the realities facing agriculture.

While I do not expect unanimous support for every provision of the Agricultural Adjustment Act of 1985, the basic principles and objectives that underlie the development of this legislation must be achieved if agricultural legislation is to reflect the needs of today's agriculture.

- Long-Term Agricultural Policy. The AAA of 1985 focuses on creating a policy environment that will be relatively stable and predictable, so that farmers and agribusiness can make realistic investment and production decisions. This contrasts with the current environment, in which agricultural policy itself is a source of uncertainty. We now respond to short-term problems without providing any effective long-term solutions.

- Market Orientation. Price and income support levels in the AAA will be tied to a moving average of past market prices. Farmers will then have an opportunity to respond to market signals, rather than producing more than there is a demand for in response to the artificial support rates set by Government programs.

- Enhanced U.S. Competitiveness. In recent years, the rigid and high levels of U.S. price and income supports have played a part in making it difficult for U.S. agricultural commodities to compete in the international marketplace. The AAA of 1985 will allow prices to move to world levels and will phase out acreage reduction programs, thus permitting our farmers to expand their markets. In addition, the trade title contains measures that will lower barriers to imports and reduce unfair competition, so that our farmers will have greater market access.

- Family Farm Emphasis. The AAA is designed to provide full income protection for family-sized farms and lower degrees of protection for larger enterprises through a payment limitation feature. This feature is designed to correct the shortcomings of existing programs which provide the largest share of federal benefits to the largest farms.

- Orderly Transition. The AAA provides for a five-year transition period from current programs to more market-oriented programs. This will enable farmers to assess their operations and decide how best to manage their resources in the new environment. The current programs have their roots in the 1930's and they cannot be eliminated overnight. A safety net must be put in place to provide an orderly transition to more market-oriented programs.

- Equity and Consistency. The legislation will, after the five-year transition, provide the same relative level of income and price support to each program commodity. It also integrates commodity program policy with other agricultural programs and policies, so that they are not working at cross-purposes.

Mr. Chairman, I ask the members of the Committees to keep these principles in mind as I summarize the major provisions of the AAA of 1985.

Major Provisions of the AAA of 1985

The domestic farm program provisions of the 1985 AAA are designed to provide farmers with a base for making long-term decisions. This is accomplished in part by proposing that the AAA's programs become permanent law and by repealing the 40 to 50 year-old permanent programs that were authorized as part of the 1930's legislation. More importantly, the AAA would substantially reduce government interference in the price signals farmers receive and in the production decisions they make so that they are better able to adjust to actual market conditions. The AAA provides for a transition from high and rigid price supports to flexible and market-clearing price supports and gradually phases out acreage reduction programs, quotas and allotments which keep low-cost American products from competing with those of less efficient foreign producers.

Other major provisions of the AAA address exports and trade, resource conservation and agricultural credit. These provisions are consistent with the domestic farm program provisions in that they minimize government intervention, direct or indirect, by establishing programs that emphasize market expansion and minimize production incentives not consistent with market realities.

The major provisions of the Agricultural Adjustment Act of 1985 include:

Wheat, Feedgrains, Cotton and Rice

- Loan rates are based on 75 percent of national average prices received by producers during the immediately preceding three years, with no minimums. This will provide a safety net, but in most years will not interfere with the functioning of the market.

- Target prices are based in 1986 on 100 percent of national average prices received by producers during the immediately preceding three years; this percentage will decline five percent points each year until it reaches 75 percent for the 1991 and succeeding crops.

- An acreage reduction will be required of program participants at the following levels: 15 percent - 1986 crop year; 10 percent - 1987; 5 percent - 1988 crop year. For the 1989 crop year and thereafter, the authority for acreage reduction or other supply control programs would be eliminated.

Soybeans

- The soybean program would continue to rely solely on loans, but the loan rate would be determined in the same manner as for wheat, feedgrains, cotton and rice. No target price or acreage reduction program would be available for soybeans.

Dairy

- The current dairy purchase program would continue to operate in fiscal years 1986 and 1987 with the support price adjusted downward if expected government purchases exceed specified levels.

- Beginning in fiscal year 1988, the program would be converted to a direct payment program with the target price calculated as a declining percentage of the market price for all milk for the preceding three years, in the same manner as the other commodities. Payments would be calculated as the difference between the market price and the target price.

- A task force would be appointed to review the need for Federal milk marketing orders, and to assess the impacts of the current program as well as feasible alternatives, with the purpose of recommending desirable changes.

Peanuts

- The current quota systen will be phased out.
- Loan rates are set at the lower of 75 percent of the previous three-year moving average market price or $250 per ton, and loans would be available to all producers.
- Direct payments on the 1986-1990 crop will be made only to producers who hold quotas. Thereafter, all producers will be eligible for payments. The payment will be the difference between a declining percentage of the market prices for the preceding three years and market prices.

Sugar

- Beginning with crop year 1986, commodity loans are available at the rate of 12 cents per pound, or 75 percent of the three-year moving average of U.S. market prices, whichever is lower.
- A direct payment program to growers will be established for 1986 and thereafter. The payment rate will be phased down during the five-year transition program. So that for 1991 and subsequent crops, the payment would be the amount by which the season average price is less than 75 percent of the three year average.

Finally, the AAA of 1985 will maintain a direct payment program for wool and mohair and eliminate the honey price support program which benefits only a small number of producers at tremendous cost per producer. The payment rate for wool and mohair will be based on a declining percentage of the market prices for the preceding three years.

All commodities will be subject to limitations on price support loans and deficiency payments. Nonrecourse loans will be limited to a total outstanding principal balance of $200,000 per producer for all commodities at any time. Loans in excess of $200,000 would be recourse; that is, they must be repaid with interest. Direct payments will be limited to $20,000 per person in 1986, $15,000 per person in 1987, and $10,000 per person in 1988 and succeeding years. This limit applies to all commodities covered by the legislation and will direct Government assistance to family-sized farms.

Agricultural Trade and Export Expansion Programs

A major component of the AAA of 1985 is the establishment of a formal and explicit agricultural trade policy which is consistent with our domestic agricultural policy. The major provisions of this policy are:

- A commitment is made on the part of the U.S. Government to promote open access in world markets for U.S. agricultural exports.
- We will seek expanded trade by negotiating with our key trading partners to implement programs which reduce restrictive trade practices. The U.S. Trade Representative is to report to Congress on the extent and impact of trade barriers on agricultural exports. In the event that negotiations to remove or reduce barriers, including export subsidies, are not progressing satisfactorily, the Secretary of Agriculture and the U.S. Trade Representative are to submit a report by July 1, 1986, recommending what actions will be taken to offset the effects of such barriers.
- Export expansion programs are continued, with the GSM-102 Export Credit Guarantee program set at a level consistent with the credit needs of countries which are importing U.S. agricultural products and meet credit requirements. The P.L. 480 foreign aid programs are reauthorized.

Other Provisions of AAA of 1985

- o **Agricultural Credit**: Provides that from fiscal year 1986 onward all FmHA farm loans will be in the form of guaranteed loans. The only exception is that through fiscal year 1990 loans for annual farm operating purposes can still be made to borrowers who have outstanding annual farm operating loans made under subtitle B of the Consolidated Farm and Rural Development Act. Finally, the FmHA emergency lending program is eliminated, except that in those counties where multi-peril all-risk crop insurance is not offered, guaranteed loans could still be made.

- o **Resource Conservation**: This title contains strong "sodbuster" provisions. Under these provisions, any operator who begins tilling erodible soils that had not been in production for the past 10 years would be ineligible to obtain any federal farm program benefits.

- o **Agricultural Research, Extension and Teaching**: A major change proposed is a greater emphasis in research and extension on increasing the efficiency and profitability of the farm enterprise rather than focusing simply on output. We do not propose to accomplish this change through new programs or specific amendments to existing agricultural research extension or teaching programs but rather through shifting the emphasis in current programs.

I know that there are some who will not agree with all of the Administration's proposals--some who think that they have a better answer. But to be very candid, there are really only three options available to the Congress: an extension of current programs; mandatory controls; or a flexible market-oriented approach, such as the AAA of 1985. Let's look at how each of these alternatives meets the objectives we have set forth. And most important, let's be honest with farmers, agribusiness and consumers about the short and long-run impacts of each of these options. Mr. Chairman, we can't afford to keep mortgaging agriculture's future for a temporary quick fix. It is time to face the realities, set the proper course and make the transition as smoothly as possible.

Extension of Current Programs

Current programs are the result of 50 years of short-term fixes without regard to equity or consistency. This has led to having quotas and allotments for some crops, such as peanuts; target prices and acreage reduction programs for wheat, feedgrains, cotton and rice; direct purchases for dairy; and payments for wool and mohair. It would be hard to design a more complex, inconsistent and costly set of programs if one set out deliberately to do so.

During the past year, as we held listening sessions around the country, one thing came through crystal-clear about the current set of programs and policies: people do not believe they are working. Why is this so? One problem is high support rates, which set rigid price floors and prevent farmers from responding to market price signals. The result is excessive production and stock accumulation, and lost domestic and world markets. Excessive production, large and excessive stocks, and declining prices for grains and cotton were the reasons that PIK had to be implemented in 1983, and the reasons that a dairy diversion program was implemented last year. For most of our export crops, we have witnessed a decline or stagnation in the U.S. share of world trade while competing exporters have rapidly expanded. For example, the U.S. share of world wheat trade fell from 48 to 36 percent from 1981 to 1984 while our major competitors increased their share from 52 to 60 percent. And in the last three years the volume of U.S. rice exports declined by a third, while our major competitor, Thailand, increased its exports by over a third. Furthermore, if grain companies can demonstrate the feasibility of the profitable importation of wheat and corn from South America, we must face the implied realities.

Target prices under current programs stimulate larger production by interfering with farmers' adjustments to the market. But they also pose the threat of tremendous budget exposure, forcing the implementation of large acreage reduction programs in the effort to raise prices and reduce the potential exposure. Of course, as we reduce production and artificially raise prices, we lose markets, which are quickly taken over by competing exporters.

The acreage reduction programs do not effectively reduce production over the long term, and may even encourage more production over time as farmers try to expand acreage bases in order to receive benefits from future government programs. In order to be effective in the short-run, acreage reduction programs must attract as many participants as possible. But larger producers are subject to a payment limitation that makes participation unattractive. And participating producers do their best to increase yields on acres remaining in cultivation.

Even to the casual observer it should be clear that current programs are not working. Consider that since 1981 these programs have been modified legislatively more than twice a year, on average.

If an extension of current law were to prevail over the next 5 years, the agriculture sector would face rapidly accumulating inventories and continued deterioration in market share. The aggregate stocks of corn, wheat, cotton, and rice would more than double between 1985 and 1991 since acreage programs are not likely to offset the effects of rising yields and stagnating demand. By 1991, total stocks would be over 50 percent greater than those existing prior to the implementation of the payment-in-kind program.

U.S. exports of coarse grains and wheat would increase slowly from 1985 to 1991 with total export volume only reaching 102 million metric tons by 1991. This compares with 107 million metric tons in 1981 and 98 million metric tons in 1984. At the same time, trade in the rest of the world would increase at a faster rate as the U.S. share of the market continues to shrink from 48 percent in 1984 to less than 46 percent in 1991. The erosion in market share would be particularly severe for wheat. From 1972 to 1982, the U.S. consistently accounted for one-half or more of world trade in total wheat and coarse grains. Since 1982, our share has declined below 50 percent, and it will continue to decline as long as we pursue current policies.

Furthermore, the cost of our farm programs would grow rapidly. If extended, the current program would be expected to cost more than $15 million annually over the FY 1987-91 period. This is nearly double the annual average outlays for FY 1980-84 and nearly five times the average during the 1970's.

The pressure from ineffective acreage programs, rapidly building inventories, declining farm prices in real terms, and loss of world markets would force changes in current legislation after only a few years. Excessive budget outlays that would not improve the farmers' long-term financial condition would likely give way to mandatory production controls. By then, the U.S. would have also given away any established growth in export markets.

For these reasons, I do not believe that an extension of the current programs is a feasible alternative.

Mandatory Controls vs. AAA

Once an extension of current programs is discarded, then there are only two alternatives: mandatory controls or a market-oriented program.

It is true that mandatory controls might achieve higher prices for commodities in the short term, a goal that is sought by many farmers, and a goal that would help minimize farm program expenditures. In fact, we expect that prices under a system of mandatory controls would average 20 percent higher for corn and 45 percent higher for wheat over the period 1986-90 than would prices under the AAA, if both options were to achieve the same budget outlay levels. These artificially enhanced prices would have significant negative impacts on the livestock and poultry industries and on export sales.

But what level of control is necessary to achieve these prices and hold budget outlays to the AAA levels? We estimate that wheat acreage would have to be reduced by 38% from about 80 million acres to 50 million acres annually; corn acreage by 21% from about 82 million acres to 65 million acres; cotton acreage by 38% from 13 million acres to 8 million acres; and rice acreage by 52% from 2.5 million acres to 1.2 million acres compared to the acreage projected under the AAA. Each year these controls would have to be tightened further as new production technology is adopted, thereby increasing the yields from each acre remaining in production. These acreage adjustment programs would need to be supplemented with farm marketing quotas to further limit budget exposure. This would deprive the consumer of the benefits of the cost reducing technology.

The gross revenue that a farmer receives is price multiplied by the volume he produces. As anyone can tell you, in a drought year, $4.00 corn doesn't mean much if you only have one quarter of your crop to sell. With mandatory controls, the reduced production that is required would more than offset the effects of higher prices after the first year, leaving farmers with a lower gross income than they would have under the AAA. For example, by 1991, gross returns from a 500-acre Kansas wheat farm would be about $17,000 less under the mandatory program than for AAA.

And that's not the end of the story. Not only would gross income be lower, costs would be higher with mandatory controls. Why is this so? Under the AAA, land prices and rents should reflect the value of the land in production, and farmers can adjust operations to make maximum effective use of their capital equipment. But with mandatory controls, land prices and rents would quickly rise to reflect the value of the production "rights" associated with that land. The real winners here are landowners who are not necessarily producers. And with enforced limitations on production, the costs of capital equipment would have to be spread over fewer units of production, raising costs further. The result is lower gross income, higher costs and lower net income.

If the United States chooses mandatory controls, then we will have made the choice to abandon export markets, which absorb around one-third of crop output and one-fourth of total agricultural output, to produce primarily for domestic consumption. The potential for growth in the domestic market is limited. Our withdrawal from export markets will provide the initiative for other countries to increase production. Thus, the government risks becoming the market at enormous cost to the taxpayer. Specifically, by 1990, U.S. exports of wheat would be over 900 million bushels less per year under mandatory controls than with AAA, a reduction of about 45 percent. For rice, the reduction would be even more significant: 60 percent, a decrease from 80 million hundredweight to about 30 million hundredweight per year. Corn exports would decrease from an estimated 2.8 billion bushels per year to 1.8 billion bushels per year by 1990 and, as a final example, cotton exports would be only about 5 to 6 million bales in 1990 under mandatory controls as compared to almost 7.5 million bales under the AAA. Not only would exports be reduced by the higher prices under mandatory controls, but also by the extremely unfavorable trade atmosphere that would be created by the need to raise new trade barriers to prevent importation of cheaper foreign supplies into domestic markets. The contrast to the AAA, with competitive prices and a commitment to reducing trade barriers, could not be clearer. Under mandatory controls our export markets would decline and our market share would drop sharply. Under the AAA, we would gain a larger share of a growing world market. By 1990 the U.S. would increase its market share for wheat from the current 36 percent to 45 percent. The U.S. share of the coarse grain market would rise from 60 percent to nearly 70 percent.

Finally, I have reminded many different audiences this past year that, agriculture, broadly defined to include all components of the n additional $1 billion in U.S. economic activity--and 35,000 jobs.

food and fiber system accounts for about 20 percent of our gross national product, and employs about 20 percent of the workforce. Our exports of agricultural products have contributed $20 billion to a trade surplus which offsets a part of the U.S. trade deficit. It has been estimtated that every $1 billion in agricultural trade creates a

Thus we could conclude that if we choose mandatory controls, we will reduce general economic activity in the broadly defined agricultural related sectors by $5-10 billion and employment by 200,000-250,000 jobs compared to the AAA through its effects on the export sector alone. This would include significant reductions in economic activity and employment in the input industries such as fertilizers, chemicals, and equipment, as well as processing and transportation under mandatory controls. We would be choosing to idle over 40 percent of our current cropland capacity compared to AAA. I do not believe that this is a wise choice for farmers and agribusiness, nor for the rest of the U.S. economy.

Let me conclude by reminding you that the path we follow in 1985 is likely to set the course for agricultural policy well into the next century. When President Roosevelt proposed the AAA to Congress in 1933, he said:

> "I tell you frankly that it is a new and untried path, but...an unprecedented condition calls for the trial of new means to rescue agriculture."

Only a year later, in 1934, Secretary of Agriculture Henry Wallace said:

"The present program for readjusting productive acreage to market requirements is admittedly but a temporary method of dealing with an emergency. It could not be relied upon as a permanent means of keeping farm production in line with market requirements."

If we fail to remember the lessons of the past, we are doomed to repeat its failures. We all share a common desire to preserve and promote this nation's most important and productive industry. Winston Churchill once said, "you can always count on the Americans to do the right thing after they've tried everything else." The Administration believes that the Agriculture Adjustment Act of 1985 sets agriculture on a course which will ensure a longer term prosperity not only for agriculture but for the entire U.S. economy. The AAA of 1933 may have been appropriate for that time but it is not appropriate for today or the future.

Thank you, Mr. Chairman. I would be happy to answer any questions you or other members of the Committee may have.

(Attachments follow:)

1985 Farm Bill
Target, Loan and Season Average Prices 1/

Item	1984	1985	1986	1987	1988	1989	1990	1991
Wheat: Target ($/bu.)	4.38	4.38	3.41	2.94	2.53	2.25	2.23	2.26
Loan ($/bu.)	3.30	3.30	2.56	2.32	2.11	1.99	2.09	2.26
Farm Price ($/bu.)	3.40	3.30	2.50-2.95	2.50-2.95	2.55-3.00	2.70-3.15	2.90-3.35	3.15-3.60
Corn: Target ($/bu.)	3.03	3.03	2.83	2.37	2.11	1.95	1.96	1.99
Loan ($/bu.)	2.55	2.55	2.12	1.87	1.76	1.72	1.84	1.99
Farm Price ($/bu.)	2.70	2.60	2.15-2.60	2.20-2.65	2.30-2.75	2.40-2.85	2.50-2.95	2.65-3.10
Sorghum: Target ($/bu.)	2.88	2.88	2.52	2.15	1.94	1.79	1.80	1.82
Loan ($/bu.)	2.42	2.42	1.89	1.70	1.61	1.58	1.69	1.82
Farm Price ($/bu.)	2.42	2.40	1.95-2.35	2.00-2.40	2.10-2.50	2.20-2.60	2.30-2.70	2.45-2.85
Barley: Target ($/bu.)	2.60	2.60	2.35	2.03	1.78	1.63	1.63	1.64
Loan ($/bu.)	2.08	2.08	1.76	1.60	1.49	1.44	1.52	1.64
Farm Price ($/bu.)	2.35	2.20	1.75-2.10	1.80-2.15	1.90-2.25	2.00-2.40	2.10-2.50	2.25-2.65
Oats: Target ($/bu.)	1.60	1.60	—	—	—	—	—	—
Loan ($/bu.)	1.31	1.31	—	—	—	—	—	—
Farm Price ($/bu.)	1.70	1.55	1.15-	1.20-	1.25-	1.30-	1.40-	1.50-
Cotton: 2/								
Rice: Target ($/cwt.)	11.90	11.90	8.50	7.03	5.85	4.87	4.72	4.57
Loan ($/cwt.)	8.00	8.00	6.37	5.55	4.87	4.30	4.42	4.57
Farm Price ($/cwt.)	8.40	8.30	5.25-6.00	5.50-6.25	5.60-6.40	5.70-6.50	5.80-6.70	6.00-7.00

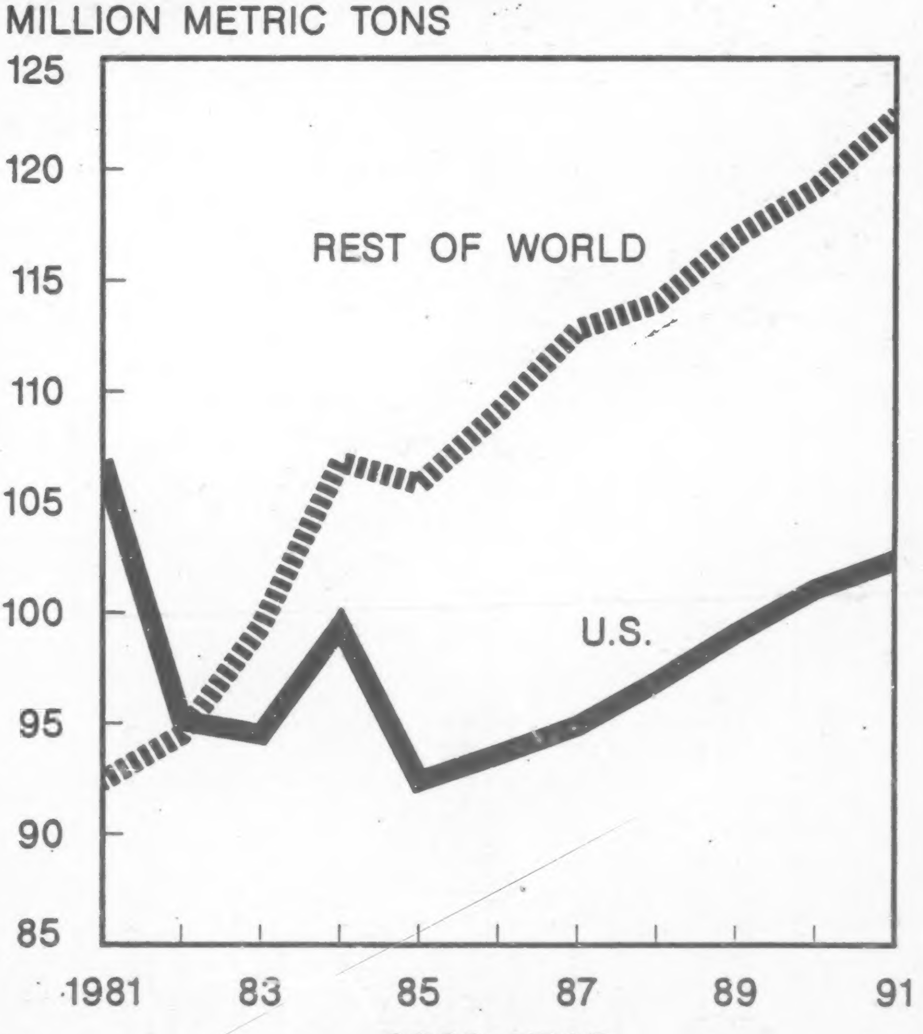
1/ By marketing year.
2/ USDA is prohibited from publishing cotton price projections.

1985 Farm Bill
Target, Loan and Season Average Prices 1/

Item	1984	1985	1986	1987	1988	1989	1990	1991
Soybeans: Target ($/bu.)	—	—	—	—	—	—	—	—
Loan ($/bu.)	5.02	5.02	5.10	4.51	4.31	4.25	4.40	4.60
Farm Price ($/bu.)	6.50	6.15	5.25-6.00	5.50-6.25	5.60-6.40	5.70-6.50	5.80-6.70	6.00-7.00
Milk: Target (all) ($/cwt.)	—	—	—	11.18	9.75	8.63	7.68	7.75
Support (mfg.) ($/cwt.)	12.60/ 12.10	11.60/ 11.10	11.10/ 10.60	—	—	—	—	—
Farm Price (all) ($/cwt.)	13.15	12.30-12.60	11.55-11.95	9.75-10.50	10.00-10.75	10.00-11.00	10.25-11.50	10.75-12.00
Peanuts: Target (¢/lb.) 1/	—	—	27.50	22.61	21.11	19.97	19.47	19.00
Non Quota Loan (¢/lb.)	9.20	9.20	12.50	12.50	12.50	12.50	12.50	12.50
Quota loan (¢/lb.)	27.50	28.00	—	—	—	—	—	—
Farm Price (¢/lb.)	24.50	23.90	22.00-25.00	23.00-26.00	23.00-26.00	24.00-27.00	25.00-28.00	26.00-30.00
Sugar: Target (¢/lb.)	0	0	18.00	16.00	14.12	12.75	12.41	14.29
Loan (¢/lb.)	17.75	18.00	12.00	12.00	12.00	12.00	12.00	12.00
U.S. Price (¢/lb.)	21.57	21.97	17.00-20.00	15.00-18.00	15.00-18.00	15.00-18.00	20.00-24.00	22.00-27.00
Wool: Target (¢/lb.)	165.0	173.0	72.1	72.2	67.5	65.5	64.3	62.2
Loan (¢/lb.)	—	—	—	—	—	—	—	—
Farm Price (¢/lb.)	80.0	75.0	70.0-80.0	75.0-85.0	75.0-85.0	80.0-90.0	80.0-90.0	85.0-95.0
Mohair: Target ($/lb.)	5.17	4.65	4.47	4.43	4.23	4.11	3.99	3.83
Loan ($/lb.)	—	—	—	—	—	—	—	—
Farm Price ($/lb.)	4.75	4.60	4.50-5.00	4.75-5.25	4.75-5.25	5.00-5.50	5.00-5.50	5.25-5.75

1/ By marketing year.
2/ Applies to quota production only.

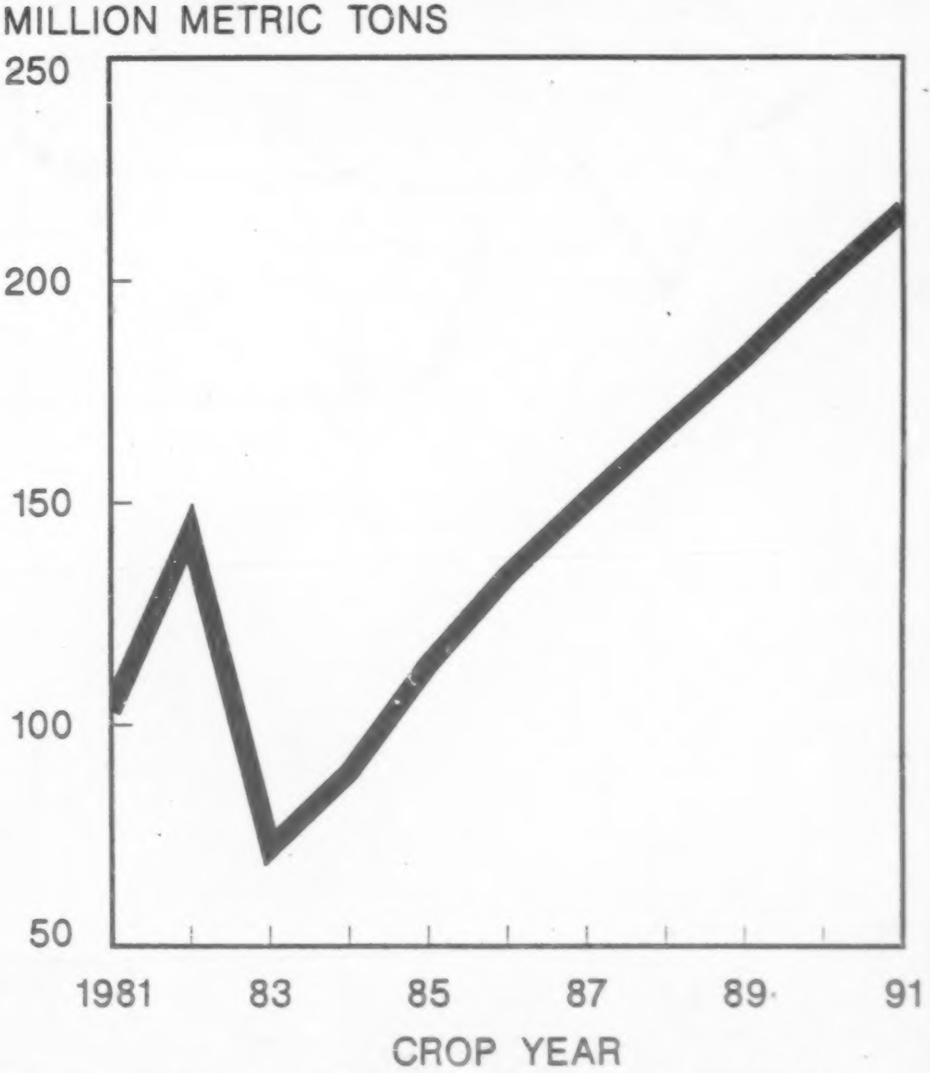
EXTENSION OF CURRENT PROGRAMS
WORLD TRADE



WHEAT AND COARSE GRAINS

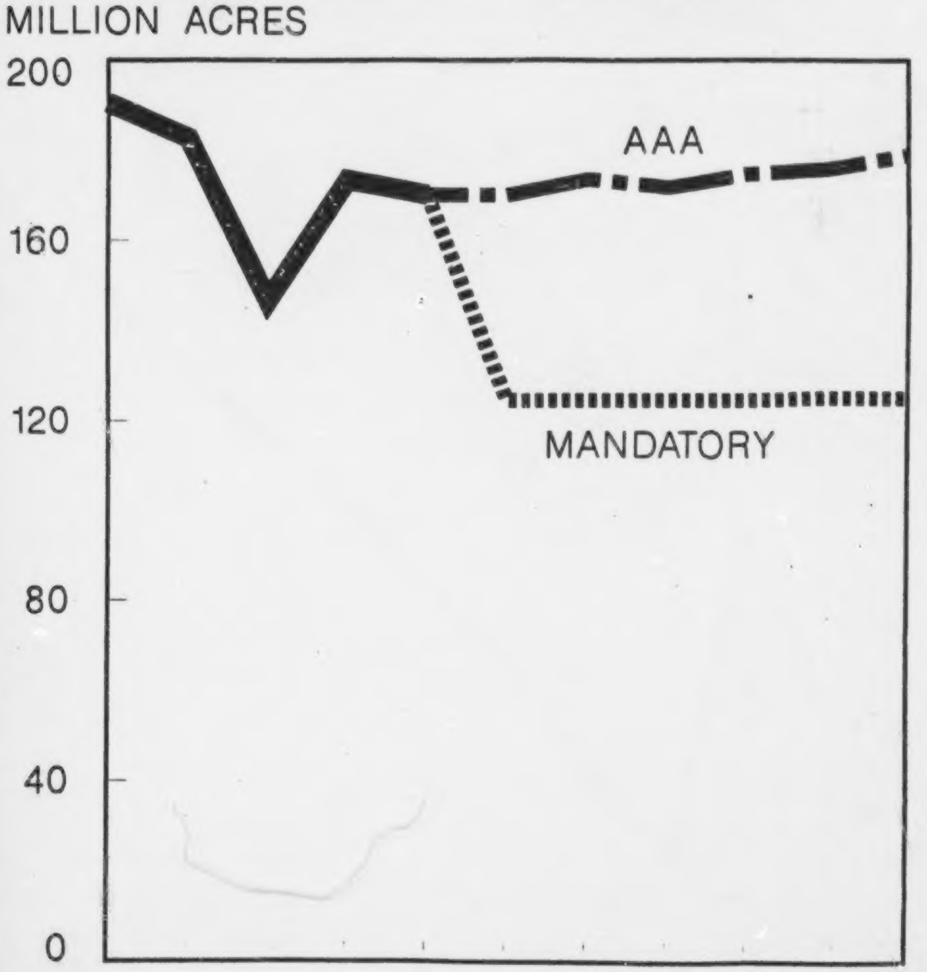
EXTENSION OF CURRENT PROGRAMS

ENDING STOCKS



FEED GRAINS, WHEAT, RICE, AND COTTON

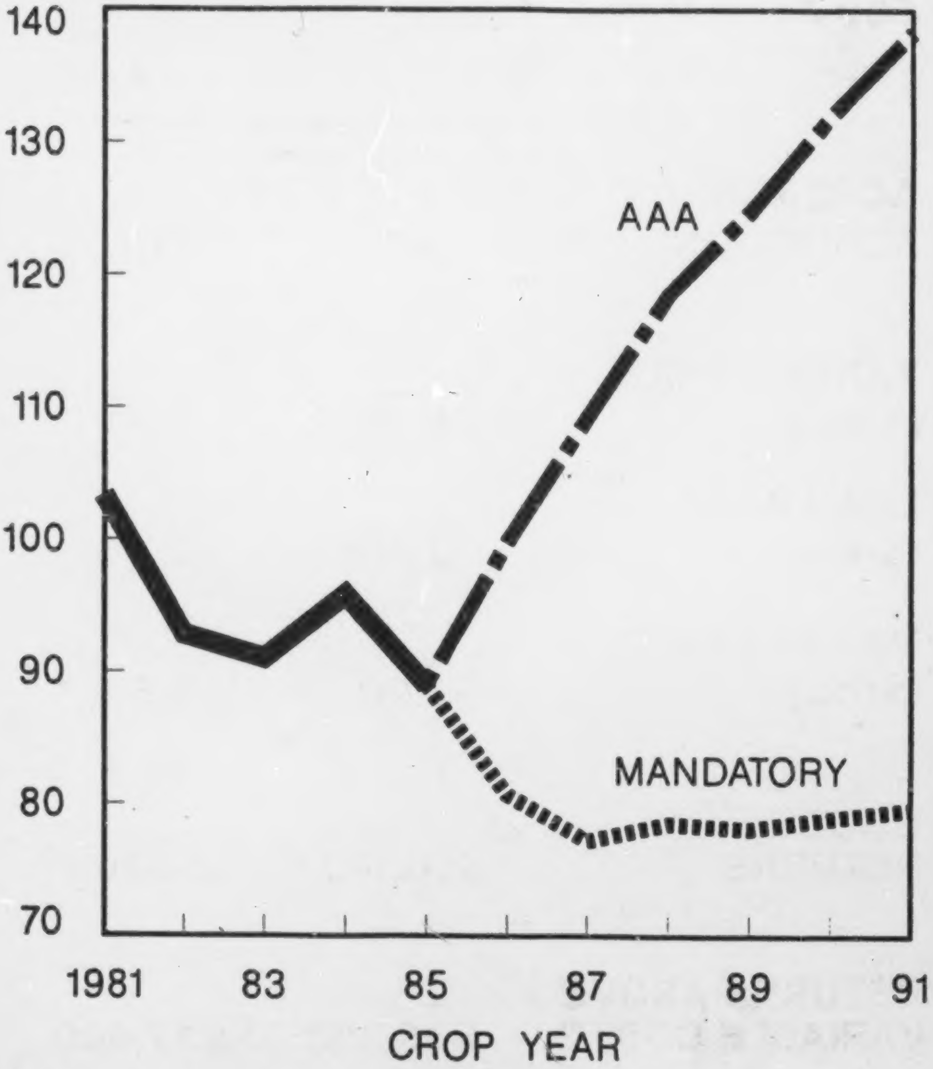
MANDATORY VS AAA
PLANTED ACRES



CORN, WHEAT, RICE, COTTON

MANDATORY VS AAA EXPORTS

MILLION METRIC TONS



CORN, WHEAT, RICE, COTTON

MANDATORY VS AAA

1986 PRODUCER RETURNS: WHEAT

500 ACRE WHEAT FARM

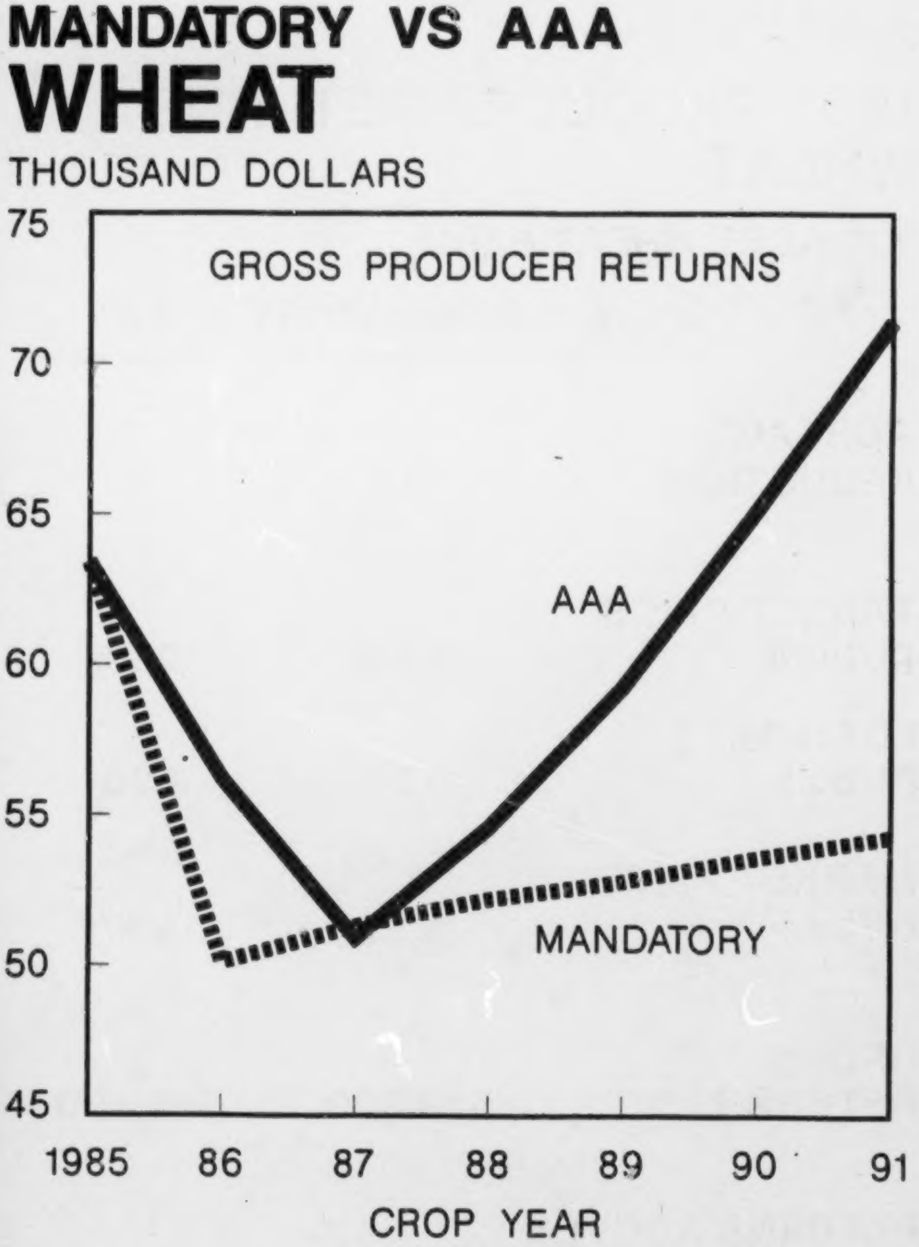
		MANDATORY	AAA
ACREAGE REDUCTION	%	45	15
TARGET PRICE ($/bu.)		4.38	3.41
LOAN RATE ($/bu.)		3.30	2.56
MARKET PRICE ($/bu.)		3.90	2.60
GROSS RETURNS		$50,100	$56,200
RETURNS ABOVE VARIABLE COSTS		$35,300	$37,400

MANDATORY VS AAA

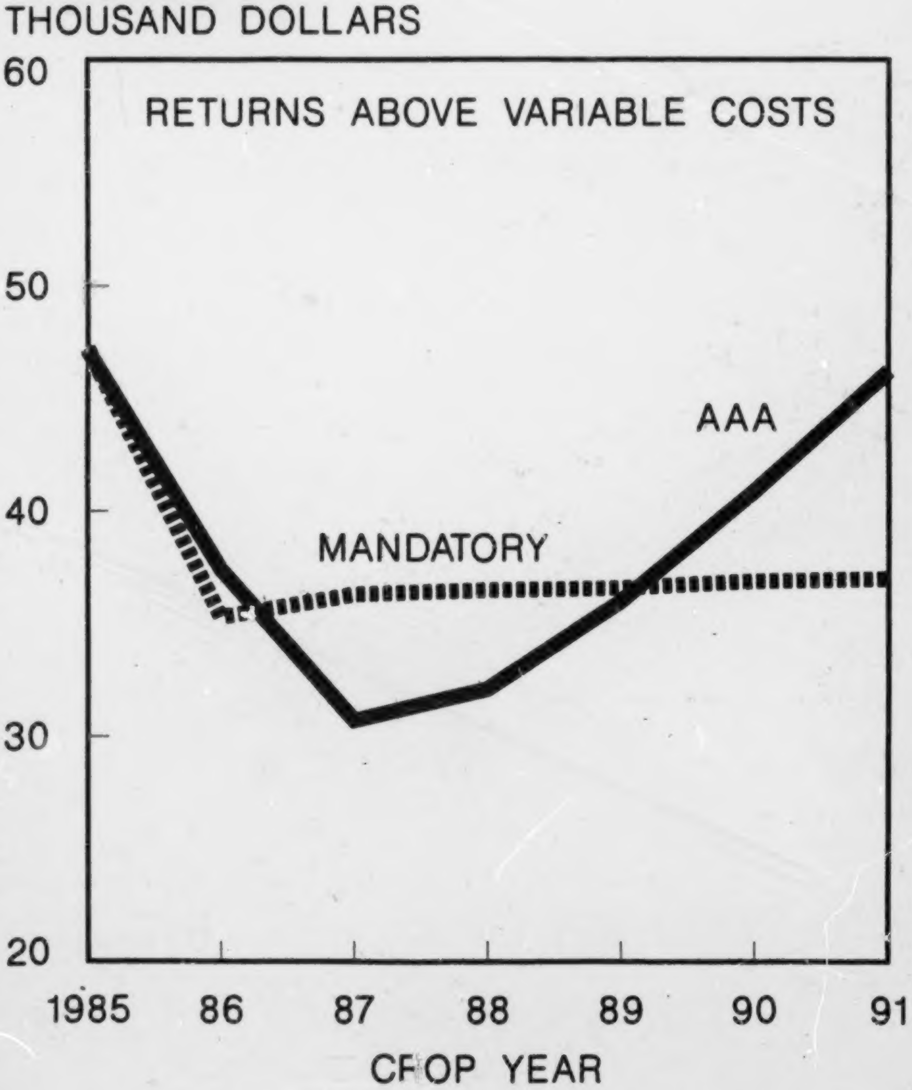
1991 PRODUCER RETURNS: WHEAT

500 ACRE WHEAT FARM

	MANDATORY	AAA
ACREAGE REDUCTION %	45	—
TARGET PRICE ($/bu.)	4.38	2.26
LOAN RATE ($/bu.)	3.30	2.26
MARKET PRICE ($/bu.)	4.35	3.50
GROSS RETURNS	$54,300	$71,400
RETURNS ABOVE VARIABLE COSTS	$37,000	$46,200


MANDATORY VS AAA
WHEAT
THOUSAND DOLLARS
GROSS PRODUCER RETURNS
75
70
65
60
55
50
45
AAA
MANDATORY
1985
86
87
88
89
90
91
CROP YEAR

MANDATORY VS AAA
WHEAT



GENERAL FARM BILL OF 1985

THURSDAY, MARCH 21, 1985

House of Representatives,
Committee on Agriculture,
Washington, DC.

The committee met, pursuant to notice, at 10 a.m., in room 1300, Longworth House Office Building, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Present: Representatives Foley, Jones of Tennessee, Bedell, English, Stenholm, Volkmer, Tallon, Staggers, Evans of Illinois, Olin, Penny, Stallings, Bruce, Hopkins, Roberts, Morrison, Gunderson, Evans of Iowa, Franklin, Lewis, Smith, and Combest.

Staff present: Robert T. Lowerre, associate counsel; Cristobal P. Aldrete, special counsel; Charles Hilty, minority staff director; John E. Hogan, minority counsel; Mark Dungan, minority associate counsel; Peggy L. Pecore, clerk; Bernard Brenner, James W. Johnson, Jr., Eugene Moos, Brenda B. Hatton, Carol Ann Dubard, and William D. Toops.

The Chairman. The committee will be in order.

We meet this morning, to review the omnibus farm bill. Pending the arrival of the members, I will recognize our distinguished colleague and member of this committee, Mr. Charles W. Stenholm for his comments. We'll be happy to hear from you at this time.

STATEMENT OF HON. CHARLES W. STENHOLM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Stenholm. Thank you, Mr. Chairman. I appreciate very much the opportunity to come before you today, not to tell you how bad the situation is on the farm—for we are all very painfully aware of the severe economic problems on the farm—and I don't come here today to offer much additional criticism of the administration's plan, but some, but I do come to outline in broad form my own ideas for new farm legislation. I am a firm believer in the old adage, "Don't criticize it unless you have a better solution." I do believe I have such a plan, but first I would like to exercise my prerogative to criticize the administration's proposal.

As one of the chief sponsors of the balanced budget amendment, I applaud the administration's effort to reduce the deficit. Agriculture is probably affected more by two macroeconomic conditions than by any farm program. Those two wicked sisters—high real interest rates, and our strong dollar—are directly influenced by that elusive monster, the budget deficit, which therefore must be captured and eventually slayed.

However, I do not believe it prudent to cut farm program spending by 50 percent from fiscal year 1985 baseline levels over the next 3 years while other entitlement programs and defense spending aren't even being frozen. According to the President's fiscal year 1986 budget, 12 percent of his scheduled cuts will come from farm programs, which comprise only 1.8 percent of the total budget. If all Federal programs were slated to share equal cuts, I might be amenable to this plan. But the sad truth is that some programs won't be cut at all, and at the end of this 3-year period we will still be facing a $144 billion deficit, according to David Stockman's own numbers.

Secretary Block testified before this committee just yesterday that under his plan, farm income would be reduced by some 20 percent over the next 2 years. That's quite a blow for an industry that's already on its knees. This would be similar to a doctor telling a group of very sick people that their best cure would be to run 50 miles as fast as they could. Of course, the very strongest of the group would survive the ordeal, but you could bet life insurance companies would lose some money in the long run.

Do not misunderstand me. The answers to our agricultural problems lie not in increasing Federal outlays to farmers, but in long-term reforms that will increase farm profitability through the marketplace. In fact, I propose we can freeze farm program spending at fiscal year 1985 baseline levels for the next 3 years and cut spending by 5 to 20 percent from that level. My farm bill proposal will allow such reductions while protecting farm income.

Hence, the criticism. Now for the constructive part. I am aware of my limited time, so I will be very brief.

Almost everyone agrees farmers would prefer to make a profit through the marketplace, but each group seems to have its own road map on how to get to that point. The administration has chosen to take the shortcut, but they don't know there's a bridge out along that route, and we'll be traveling at 110 miles per hour.

As we travel toward market-oriented programs, I believe we must choose the safest route and proceed at a reasonable speed so we can watch for those unexpected road hazards. In other words, we must maintain a safety net in farm programs. Given our goal of reducing the deficit, we must derive the greatest possible benefit from every Federal dollar spent. Program benefits should be targeted to those who need them the most, the midsized farmer producing between $40,000 and $200,000 annually. We should do this by allowing farm program benefits only on the first $200,000 of a man's gross production.

But then we run into the question over the payment limitation. With 12 percent of the producers growing 70 percent of all farm products, how can we effectively manage supply without getting them into the program?

My proposal will address this question by using both the carrot and the stick. First, a carrot is offered to any producer growing over $200,000 of farm products by allowing him into the program without having to reduce those plantings which exceed $200,000 provided he does not exceed his base plantings on that excess portion. Base plantings would be defined by my bases and yields reform legislation, assuming its enactment as part of this package.

Second, loan rates will be reduced to 75 percent of the average market price over the last 5 years, minus the high and low years. As long as adequate price protection is maintained for participating farmers, cutting loan rates will drop market prices in the short run to a level where even the largest farmers could not afford to stay out of these programs, thus the stick. Once they are in, supplies will be more effectively managed and market prices will rise.

And here, I might add, is where I get the voluntary mandatory program concept, which brings me to my next point.

The American farmer should be able to sell that portion of his production which will be consumed in the United States at a fair price. But, by the same token, the American taxpayer should not be held responsible for guaranteeing a fair price for production in excess of that amount. Why should we continue subsidizing farmers to produce more than we, as a Nation, can consume?

I would admit that there can be an answer for that question, but it's one that must be arrived at jointly by all taxpayers.

In further response to that question, I propose we limit target price protection and nonrecourse loan benefits to 50 percent of each farmer's production that falls within the $200,000 base figure. Target prices would then be based on costs of production, including returns to land, and would be higher than current targets on half your base. Production in excess of the first 50 percent of the gross marketings within the base will receive full recourse loans and no target price protection—repeat—full recourse loans and no target price protection.

We must reexamine the entitlement status of nonrecourse loans and consider establishing a revolving Commodity Credit Corporation fund that would not require annual appropriations. We should also cap the farmer-owned reserve by placing limits both on the total size of the reserve and on the amount any farmer may enter into it in any year. All of these ideas will help to reduce budget exposure while still providing adequate income protection on commodities produced for U.S. consumption.

Earlier I asked the question, "Why should we continue subsidizing farmers to produce more than we as a Nation can consume?" Although that is a difficult question, there are some legitimate answers in light of current international economic conditions. Indeed, many of our competitors practice export subsidies in one form or another. The strength of our dollar provides an unfair price shelter for our competitors. And, most importantly, exports are extremely valuable to our whole economy, providing the largest positive trade balance of any U.S. industry.

We cannot talk about market-oriented supply management unless there is a market out there for our products. In fact, I define the phrase "market-oriented supply management" as being a combination of short-term conservation, or matching supply and demand, managed by supply triggers and a series of export stimulation programs. We must not be lulled again into believing we can raise our prices within the United States through production cutbacks alone without losing export sales to our competitors who boost their production when they see us cutting back. Let's heed the lesson to be learned by the failure of OPEC in its attempt to control world oil prices.

So what can we do to enhance exports? Without a doubt, by lowering loan rates we will become more competitive in export markets. But I propose to carry export promotion programs one step further. By eliminating deficiency payments on export production, not only will we put ourselves in a better position for negotiating to reduce others' export subsidies; we will also be saving some money that should be put into export promotions should these negotiations fail.

One billion dollars, plus, should be authorized for such a fund to maintain our share of the world market. Hopefully, the money would never have to be expended; theoretically, the simple knowledge that the fund will be tapped should negotiations fail will draw our competitors to the table for some serious talks on trade subsidies.

In addition to this export credit fund, my proposal calls for granting the Secretary the authority to utilize excess CCC stocks in an export PIK Program if necessary to offset competitors' subsidies and the inequity created by the strong dollar. Perhaps we will be able to keep the Merchant Marine industry from applying their cargo preference regulations to this program also, and I strongly believe these regulations should be repealed on all Government-subsidized commodity shipments.

However, until prices are strengthened through a change in macroeconomic conditions, farmers would actually be better off parking a few of their tractors and only producing for the domestic market. But in any case, we must protect our resource base and retain our capacity to feed the world should we ever be called on to do so.

My proposal strengthens "sodbuster" legislation deliberated in the last Congress by denying Federal crop insurance, Farmers Home Administration, and other Federal farm program benefits to sodbusting producers. A long-term conservation reserve will be implemented by offering incentives to producers for taking fragile land out of production for extended periods.

In summary, with the many different farm groups we have seen coming to town over the past several weeks, with all of our different ideas about farm programs, the one point upon which they generally agree is that current policy "just ain't working".

Gentlemen, we face a tremendous challenge at a very crucial time for American agriculture. We must look in new directions for answers that will allow long-term prosperity to return to agriculture through the marketplace. But if we all work together, I believe we can accomplish this goal.

Even though I do not see the light out there at the end of the tunnel for we American farmers today, I will not give up until we have found that light. These ideas represent what I believe will be a viable new direction for agricultural policy that could fulfill this objective at minimal cost, and I look forward to working with this committee in attempting to implement as many as we possibly can.

I would make one additional comment, Mr. Chairman, as a suggestion to you and to this committee for your consideration. We know that there are talks beginning at Geneva in the next several weeks. It would be my suggestion that this committee seek out input to those talks with a delegation from our committee to participate so that we may understand what other countries are thinking regarding trade negotiations, and that they, too, might understand what this committee is thinking in terms of future implications of agricultural policy and how it may, in fact, affect world trade.

I do not suggest that we should superimpose ourselves on an administrative prerogative, but I do believe that if we truly are to have an agricultural policy that is going to answer the marketplace needs of agriculture, that it would be very helpful for us, as a committee, to have input to, conversation with, discussion with those officials or our colleagues and peers from other countries as we deliberate just these same decisions within this committee.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Stenholm appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, for a very well thought-out presentation.

Are there any questions? If not, we thank you very much.

Mr. GUNDERSON. Mr. Chairman? Could I ask one question?

The CHAIRMAN. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman.

Thank you, Charley; I agree with the chairman that it was an excellent statement.

I would just like to ask a question regarding the Dairy Price Support Program. If you're going to put a payment cap on the program or all agricultural programs, and I frankly support that policy, wouldn't we have to change then the dairy program from a purchase program to a target price program?

Mr. STENHOLM. I deliberately left out dairy from my presentation this morning, with one exception. And that is, I believe very strongly that the American consumer should pay a fair price in the marketplace for that which we're consuming. The dairy program we have today needs some fine tuning, but it does not need throwing out. And I believe the critical judgment, and what I believe to be totally consistent with my statement—products grown within the U.S. borders, consumed by U.S. consumers should be paid for in the grocery store at a fair price, and that price being translated back to the producer. I believe in the Peanut Program and the Dairy Program that we have just that type of a structure, and I would hate to see us lose that structure pursuing some elusive goal that would not work. So the question on the limitations, I separate the two. Our Dairy Program is designed to produce milk for the domestic consumer. We know the world market for milk is even less free and less fair than any other commodity; therefore, I do not suggest that we design a program that makes us competitive in that world market. But I would be very reluctant to have a limitation or anything else imposed upon our dairymen that would cause them to lose the economic incentive to continue to provide a fair quantity of milk at a fair price in the grocery store.

Mr. GUNDERSON. Let me show you some options later on that would even bring dairy into consistency with the rest of your philosophy.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, my colleague.

The first panel of witnesses we invite to the witness table includes Mr. Robert Delano, Mr. Ben Morgan, and Mr. Kenneth Frick, representing the American Farm Bureau Federation, the National Council of Farm Cooperatives, and the U.S. Chamber of Commerce.

They will be accompanied by members of their associations.

We welcome all of you and all of the other witnesses. We will hear from you at this time, Mr. Delano.

STATEMENT OF ROBERT B. DELANO, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. **Delano**. Mr. Chairman, members of the committee, my name is Robert B. Delano. I am president of the American Farm Bureau Federation. I am also a grain farmer from Virginia.

I would ask the chairman and the committee to accept the entire statement. I will try to condense it, sir.

The **Chairman**. Without objection, all of the statements for the balance of the day will appear in the record in full. The witnesses are asked to summarize or make a presentation, hopefully shorter than the full text. But the full text will appear in the record, if you summarize.

Mr. **Delano**. Thank you, sir.

I'll move directly to exports. Mr. Chairman, I'd like to begin these remarks by commenting on agricultural exports because of their importance to improved farm income. I am a member of the Agricultural Trade and Export Policy Commission and, as you know, that Commission has had several meetings and we've discussed the seriousness of the current export situation now facing American farmers and ranchers.

As we all know, it's much easier to define the problems facing us in world markets than to find feasible solutions to those problems. Nevertheless, we, as members of the Commission, hope to find some feasible solutions and furnish our recommendations to this and other committees of Congress.

In the meantime I'd like to share with you some thoughts regarding certain ways that some of the problems facing us in world markets might be addressed in a practical manner.

Two traditional ways of enhancing exports have been through the judicious use of CCC export credits, and through the use of the Public Law 480, or Food for Peace, programs. These programs should be continued and improved. And in view of the need for food, which has been made much worse by the African political and famine situation, I believe that a much stronger Public Law 480 program is justified and will lead to better U.S. cash markets as economic development improves in recipient countries.

Regarding CCC export credits, it is regrettable that the CCC export credit revolving fund, which was part of the 1981 farm bill, was never funded and activated. There are still valid reasons for incorporating the revolving fund in the 1985 farm bill with funding made available to make it an effective export tool.

An intermediate CCC export credit program is needed to take care of export credit needs for terms of 3 to 7 years as provided for in the Agricultural Trade Act of 1978. And this legislation should be more fully utilized.

The blended credit program, which unfortunately has been saddled with the requirements of the cargo preference law, needs to be made a part of the new farm legislation with an exemption from cargo preference. As a matter of fact, all agricultural exports should be exempted from cargo preference requirements, whether commercial- or Government-assisted. There are other ways of financing a strong merchant marine without harming agricultural exports. We should not reduce our farm exports in our efforts to have a stronger American flag fleet. Farm Bureau will strongly support legislation to exempt agricultural commodities and products from the cargo preference law.

There may be some barter opportunities with some countries that need food and have oil or other materials or commodities that we need. We should not foreclose any such opportunities, but rather should seek ways to gain exports where such possibilities exist.

Regarding trade negotiations, we must give our trade negotiators the tools they need, and our strong support to gain better market access and to resolve outstanding unfair trade practices such as export subsidies, which have eroded U.S. overseas markets. In this respect, we would support what might be called a bonus export program.

Under such a program, bonus tonnage of farm commodities and products would be made available from Federal farmer-held reserve stocks and CCC-owned commodity stocks to lower U.S. export prices to offset the advantage of competing countries which subsidize their exports.

Mr. Chairman, these are some recommendations that we would like to see examined and considered by this committee as the export title of the 1985 farm bill is written.

I believe that in previous legislation the production side of the equation has been given more attention than the export side. In the new farm bill, we need to focus strongly on the export title.

U.S. farmers are tired of taking most of the world's agricultural production adjustments while competing countries expand their production and export market share. We must be more aggressive in export markets. This will require the devotion of considerable resources to exports, but it will be cheaper in the long run than expensive acreage reduction and storage programs.

Loan rates—we support loan rates that are tied to a 3- to 5-year average of market prices for the basic export commodities—wheat, feed grains, cotton, rice, and soybeans. This recommendation recognizes the general success of the price support programs for both soybeans and cotton, and suggests that the concept be extended to include wheat, feed grains, and rice. We believe, however, that the loan rates should not be adjusted by more than 10 percent in any year.

We need to adopt this kind of flexibility in establishing loan levels so that major export commodities can adjust to world supply and demand conditions. Since the domestic market is growing very little, we must sell on the world market if agriculture is to continue to grow. Adjusting our loan levels according to market conditions is the first policy step to ensure competitiveness in world markets. It provides a degree of uncertainty to our competitors and indicates that the United States will not continue with farm programs that subsidize farm and export subsidy programs of our competitors.

Target prices—Farm Bureau supports the use of target prices in the manner in which this policy was originally included in farm programs, as an income supplement to farmers. We support continued reliance on target prices and deficiency payments through the 4 years of the farm bill. We propose to freeze target prices for 1986 at the 1985 levels. In 1987, we would tie the target prices to a percent of the average market price used to determine the loan rate. However, target price adjustment would be limited to no more than 5 percent in a given year.

This method of target price adjustment provides a transition period for producers. Freezing the target prices for a year will allow a brief opportunity for export programs to begin to function so that producers can evaluate the market conditions for the 1987 crops. Adjustments that might occur can be effected in an orderly manner.

We would support a $50,000 limitation that would apply to deficiency payments only. We believe that any land diversion payments should not be included in the payment limitation. Large producers should not be discouraged from program participation, which is necessary in meeting the objectives of reducing production.

Acreage reduction programs—we believe that acreage reduction programs should be required when carryover supplies are excessive. Much of the political pressure that accompanies discretionary authority for acreage reduction programs can be avoided by using specific levels of carryover supplies to trigger the requirement for an acreage reduction program.

Farmer-held grain reserve—we favor the elimination of the farmer-held grain reserve. Rather than being an orderly market tool that was intended, or serving as some sort of emergency food reserve, the farmer-held grain reserve hangs like a cloud over the market. All traders know that it is there, and they know that it cannot stay locked up forever. Its presence has caused increased production by competitors and reduced domestic and foreign use of U.S. wheat and feed grains.

Farm Bureau has long understood the importance of orderly marketing and the role of the regular CCC loan programs. The Federal Farmer-held Reserve Program was used to try to prop up grain prices to avoid Treasury outlays. In the process, our market shares have eroded.

We would extend the regular 9-month loan for another 9 months in place of the Federal Farmer-held Reserve. This surely will help wheat farmers avoid repeating the mistake of storing 1976 wheat for 7 years, through 1983. Locking U.S. grain away from world markets, from United States and world livestock producers, until the market reached Government-set prices proved to be very unsound economics and costly to taxpayers.

Dairy program—we suggest continuation of the dairy purchase program but believe that the support rate should be tied to two measures of market conditions. First, we believe that the support price should be determined using an average of the previous 3 years' all milk price. This level will be adjusted effective October 1 of the marketing year.

Second, we believe that the basic support price should be adjusted if Government purchases are not in accordance with desired levels. ~~Our~~ proposal would include specific adjustments in terms of a percentage of the support price that would be required when purchases are at any given level. This measure will also avoid problems associated with discretionary authority for adjustment of support prices.

Other commodity programs—sugar, peanuts, wool, and mohair provisions of the 1981 act should remain largely unchanged in our proposal. These programs have not been costly to taxpayers; we therefore would not support substantial changes in these programs.

The conservation reserve and sodbuster provisions—our proposal would include provisions for a conservation reserve program for owners and operators of erosion-prone lands to assist them in conserving soil consistent with budgetary limitations. Contracts of 7 to 15 years would be offered under which producers would convert erosion-prone cropland to less intensive uses such as pasture, permanent grass, legumes, or trees.

We would also support using severe measures to discourage producers from plowing fragile land. Our proposal will declare any producer who brings fragile land into production ineligible for any farm program benefits on any crop in his entire farming operation.

Mr. Chairman, I thank you for the opportunity of presenting our views.

[The prepared statement of Mr. Delano appears at the conclusion of the hearing.]

The Chairman. Mr. Delano, we appreciate your presentation.

I didn't caution you about time because I didn't mention it before, but I would hope that all the witnesses would try to limit their oral presentations to about 5 minutes so that we may accommodate all of the other witnesses. We're not going to cut you off at 5 minutes, but if we could aim for that amount of time it would be helpful.

Thank you for your presentation.

Mr. Morgan.

STATEMENT OF BEN F. MORGAN, CHIEF EXECUTIVE OFFICER, DAIRYMEN, INC., AND CHAIRMAN OF THE BOARD, NATIONAL COUNCIL OF FARMER COOPERATIVES

Mr. Morgan. Mr. Chairman, I appreciate this opportunity to testify. I am Ben Morgan, chief executive officer of Dairymen, Inc., and chairman of the board of the National Council of Farmer Cooperatives, which represents about 90 percent of the local farmer cooperatives in the Nation. I commend you for conducting this hearing and stimulating debate on farm policy.

On January 21, 1985, the National Council's Agriculture and Trade Policy Committee adopted a policy statement which begins as follows: "In 1985, new farm legislation should be based on policy objectives which reflect the changing global economics of agriculture today."

In addition to the traditional farm policy goal providing support for farm income, maintaining adequate supplies of food and fiber, and encouraging the orderly marketing of farm products, we need to add a fourth objective, and that is to ensure that U.S. agriculture is competitive in world markets. While we pursue international competitors, we must also recognize the severe economic stress now facing many family farms. Therefore, our primary goal should be to enhance farm income. Many argue that to do this we must be competitive in the international market.

We believe very strongly in fair trade. Unfortunately, trade has not been fair. Agricultural exports continue to deteriorate. Last year we exported $38 billion in agricultural exports. On December 3, USDA estimated agricultural exports this year to be $36.5 billion. On February 20, the estimate was lowered to $35.5 billion; and on March 12, it was further lowered to $34.5 billion. Because of the strong dollar, subsidies of our competitors, and Government administrative prices, we are now priced out of the market for many commodities. We must respond by using agricultural abundance to maintain and expand market share and to counter unfair trade practices. Aggressive action is needed now; we can wait no longer to turn this situation around. The long run for agriculture is today.

We urge that immediate action be taken to utilize existing administrative authorities in the area of export credit, food aid, and use of surplus stocks as bonus commodities to help regain lost market shares.

Mr. Chairman, looking ahead to the 1985 farm bill, it is essential that it also include an aggressive trade title. Specifically, the legislation should provide for a spectrum of export trade programs tailored to fit the diverse needs of recipient countries. Surplus commodities should be used as bonus products and blended with U.S. aid programs to encourage their use; at the same time, such actions should not displace any commercial sales which would otherwise have been made. Programs should be designed to move those nations from aid to trade in their relationship with the United States.

New credit programs to be included should be a continuous line of credit programs and an intermediate export credit guarantee program. The Public Law 480 Program should be extended and improved, with an emphasis on multiyear programming and infrastructure development in recipient countries to allow greater purchase of U.S. agricultural commodities.

Beyond this, we agree that agriculture needs to be price-competitive in order to regain lost market shares, and that once we do so, prices and income will improve. However, we do not believe that farmers should be required to repay the full cost of this adjustment because many factors beyond the agriculture sector have distorted the market. The administration's proposal will result in farmers being required to pay a disproportionate share of the drop in prices needed to make us competitive. This will further aggravate an already depressed agricultural sector, and result in a major structural change in rural agriculture.

There is a way, however, that the current program can be modified to meet today's challenge. Under the current program, when supply and demand conditions result in market prices below the loan rate, the Government absorbs the excess supply to keep prices from falling below that level. The operation clearly has a cost associated with it in the form of product purchases, interest, storage costs, and puts an umbrella over the world market which our competitors use to make their production and market decisions.

We believe that making the farmer a loan, and then allowing that loan to be repaid at world prices, is a much more effective way to provide support to farmers. In other words, when the supply and demand conditions are such that market prices are below the loan rate, the farmer would be allowed to repay the loan at that level, and then is free to market his crops as he sees fit.

In closing, Mr. Chairman, I would say that there are not many new ideas in domestic farm policy. However, the marketing loan concept is a new approach which we believe has great promise. We strongly support it as a means of enhancing farm income while allowing U.S. products to be competitive in world markets. And at the same time, we believe such a program would be far more cost-effective than the current program.

Again, Mr. Chairman, we appreciate this opportunity to testify before your committee, and we would be happy to respond to any questions you may have. Thank you.

[The prepared statement of Mr. Morgan appears at the conclusion of the hearing.]

The **Chairman.** Thank you very much. If you will kindly remain where you are, we'll hear from Mr. Frick and then we'll come back for questions to all three of you gentlemen.

Mr. Frick.

STATEMENT OF KENNETH E. FRICK, MEMBER, FOOD AND AGRICULTURE COMMITTEE, CHAMBER OF COMMERCE OF THE UNITED STATES, ACCOMPANIED BY STUART HARDY, MANAGER, FOOD AND AGRICULTURAL POLICY

Mr. **Frick.** Good morning, Mr. Chairman and members of the committee. I thank you for the opportunity to appear before this committee.

I am Ken Frick, a farmer—retired, as of the first of the year—from Arvin, CA. I am here to present the views of the U.S. Chamber of Commerce, on whose Food and Agriculture Committee I serve. Accompanying me is Stuart Hardy, manager of Food and Agricultural Policy for the Chamber.

I will summarize the highlight of our testimony, but I do respectfully request that the full text be made a part of the permanent hearing record.

The U.S. Chamber represents all sectors of the food and agriculture industry, including farm supply businesses, farmers, ranchers, food processing, marketing, and distribution industries. Our policy position on the 1985 farm bill represents a broad consensus, developed over an 8-month period, with substantial grassroots involvement.

Our goal has been to develop recommendations which we believe will improve opportunities for farmers and ranchers to achieve sustainable profit in expanding markets. Farmers and ranchers are business men and women; profit is the bottom line, and lasting profitability can only be attained in expanding markets.

The existing system is not working, and we should make the necessary changes now for the sake of producers, as well as the other 22 million jobs in the economy that depend on agriculture. Change won't be easy or without pain, but it is necessary.

Our recommendations deal only with the major commodity and export promotion programs. They can be condensed into three points.

First, the Government should refrain from maintaining artificially high commodity prices. This policy has become increasingly expensive, has threatened to price the United States out of world markets, and has resulted in huge program benefits, causing huge Government costs, contributing to our great deficit in this Government, which must be eliminated.

Nonrecourse loans for wheat, corn, feed grains, cotton, and rice should be set by a flexible market-based formula. Target prices should be phased out and replaced by an alternative method for dealing with low farm income.

Second, the Government should refrain from attempting to control or manage the amount of crops produced in any given year. PIK and other supply management programs have been highly disruptive to farm supply businesses and postharvest industries, and they have been self-defeating in the context of a global food economy. We have always lost markets to the other nations, making up the difference.

Third, the Government should use existing tools to improve U.S. competitiveness in world markets. Moreover, the Government should become far more aggressive in fighting for conditions of fair trade in world markets. Commodity program reforms at home must be accompanied by strenuous efforts by the United States to limit or eliminate foreign export subsidies, reduce tariff and nontariff trade barriers, and assure greater access for U.S. products in world markets.

And I plead with you to cut the deficit of this Government in half to help moderate the value of the dollar.

Thank you for this opportunity to express our views.

[The prepared statement of Mr. Frick appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Frick.

Mr. Olin.

Mr. OLIN. Mr. Chairman, I'd like to ask a question of my good neighbor, Mr. Delano.

I have been studying the Farm Bureau recommendations and I'm very much interested in your position on export opportunities, and I'm totally supportive of that. I wanted to ask you to describe your concept just a little bit more so that I could understand it, in this sense, that we basically have been opposed to other countries subsidizing their agricultural products. Currently, with the value of the dollar the way it is, as we all know, we are not particularly price-competitive; in fact, we are way off the target at the moment, and that needs to be corrected.

But in describing an aggressive export program with CCC credit support and so on, to what extent do you think that this might be self-defeating in the sense that this would constitute, really, a subsidy on our exports which, if it was a temporary measure to get us past this period where the dollar is in trouble—but as a long-term policy, might not be so good? Could you comment on that, Mr. Delano?

Mr. DELANO. Yes sir, Mr. Congressman. We have concerns about that too, and I think that the basis of our consideration is the value of the dollar. We're just not competitive in the world any more, and I would agree with you. It's a subsidized concept of exports, but what do we do?

Mr. OLIN. You're looking at that as a transition kind of approach?

Mr. DELANO. Yes, sir, as a transition. But exports have practically shut off. They're backing up on our markets here, and it's compounding the problem. Nothing else is going to help until this value of the dollar relates a little better and we can export.

I guess we are groping for some way in order to compete in world markets, and this is one way we could do it, with an export incentive program. If a man buys 9 bushels, we give him one, if it takes that to compete; or if it takes two to compete, we want to be competitive. Yes, sir.

Mr. OLIN. I think I've got your concept. In my own mind I am a little bit skeptical about how you could work it out without causing a good deal of retaliation that might be undesirable, and I'm sure you appreciate all that.

Mr. DELANO. Yes, sir.

Mr. OLIN. Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Roberts.

Mr. ROBERTS. Thank you, Mr. Chairman, I'd like to ask a question of President Delano.

On page 3 you mentioned the Blended Credit Program, and also mentioned that you serve—in fine fashion, I might add—on the Export Commission. And we mentioned cargo preference. I would just make the observation that we have had a number of bills introduced from members of this committee. Has the Farm Bureau—have you indicated your strong support for these kinds of efforts? And if not, I am soliciting.

Mr. DELANO. Yes, sir, we have, and we are very supportive of legislation that would eliminate the provisions for all the programs, inside of agriculture and outside of agriculture.

Mr. ROBERTS. We decided—I say we, Mr. English and myself—not to shoot the whole bear, that we would at least keep things on a level as to where they are, and I think that might be on a fast track. I certainly hope it is, both in the Senate and the House, and would like to encourage your support.

I note also on page 3 you are talking about the "bonus" plan in regards to CCC-owned grain. My good friend and colleague from Iowa, Mr. Evans, has a rather novel approach where he takes an index and he indexes the value of the dollar in 1980 to what it is today in regards to our customers, and then he applies that index to the surplus of grain. I think that would work; it is a novel idea. It addresses the specific problem at hand. Would you care to comment on that?

Mr. **Delano.** I'm not familiar, Mr. Congressman, with the details of that. Maybe some of our staff has looked at it, but certainly we will.

Mr. **Roberts.** Well, it's intended, instead of simply saying "If you buy two, we'll give you one," or, "If you buy five we'll give you one," you really go at what the difference is, or that index is, and you equate that back to their currency.

Mr. **Delano.** I think it's the same principle we're talking about, and we're talking about some type of "bonus" incentive. This, I'm sure, would work.

Mr. **Roberts.** I have one other question, Mr. Chairman, of Ben and Wayne.

I am signed on as a sponsor of the Marketing Loan Program, but I note from your testimony it is somewhat of a different animal than I thought I was riding. I had originally thought that in terms of an income bridge to allow farmers to get there from here, it was the best alternative I have seen. I have talked with the cotton people, the rice people, the wheat people; I have not talked to the corn people yet. And I find a very enthusiastic response. But with that Marketing Loan Program I had envisioned that we would be doing away with target prices, and we would be going to a recourse loan. And it would be different from the current concept. Say, for wheat, you would put that loan at $4.38, and then you would have the loan that would be paid back at the world market price. And that way we would be competitive. We could achieve the market-oriented attention as noted by the Administration, but we wouldn't be marching farmers off the cliff in order to compete. I notice in here you have a nonrecourse loan, and you still have target prices. Would you care to comment?

Mr. **Boutwell.** Yes, Mr. Congressman. In terms of looking at the alternatives associated with this change in concept of programs, there is clearly a number of different ways that the marketing loan concept can be imbedded into the current program. One option is exactly what you just got through saying, that you could, in fact, raise the loan up to where the target price is, and then allow it to be repaid back at the world market price. That's a perfectly legitimate way of looking at it.

Our proposal, in terms of maintaining target prices and then the loan level under that, was simply a way of saying that you can take the current program and use this concept and solve a great deal of our problems with the structural aspects of the current program. So there's a way to just say it very simply, that you can in fact take the current programs and put this concept in and solve a structural problem.

Mr. **Roberts.** Well, I want to compliment you. I don't know if you want to be labeled the "father" of this concept, or if you want that orphan child placed on your doorstep or not, but it's a very innovative approach. It is my thinking that I would like to introduce something along those lines, and I look forward to working with you. I really think, in terms of selling this, that we can accomplish two things. Again, the administration's goal of becoming more market-oriented but giving the farmer some protection here in a supply management program that is very simple to explain. And most of my farmers, when they pencil it out, say they're very encouraged about it and I think we could fit it in underneath a budget freeze as is passed by the Senate Budget Committee.

Mr. **BOUTWELL**. We believe you're exactly right, Congressman. In fact, when we developed this proposal it was with an eye toward, how do we meet two objectives? One, how do we maintain support to farmers, and at the same time allow us to be price-competitive on the market? And there are not very many alternatives that allow you to do that. We believe that this is probably one of the only ones out that will do that, those two objectives.

Mr. **ROBERTS**. OK.

Thank you, Mr. Chairman.

The **CHAIRMAN**. I thank the gentleman.

Mr. Stenholm.

Mr. **STENHOLM**. Following on that last question of Mr. Roberts, Mr. Boutwell, you do presuppose the necessity of a supply management program within the concept of your market loan program?

Mr. **BOUTWELL**. What we say, Congressman, is that the marketing loan program reduces the need for supply management because, clearly, you're moving more volume if you're competitive on the market. But it does not presuppose that you don't need one ever. In fact, we would argue that you may, in fact, need to maintain the supply control aspects of the current program; but when you do have a supply control program, you pull in a lot more participation than you do under the current program because the alternative of not participating is much worse under this proposal, because those who do not participate, in fact, will be selling at the world market price. That includes not only our domestic producers but, you know, one of the biggest problems we have, as you mentioned in your statement, Congressman, is the fact that our international competitors don't participate in our programs, either. That's the problem we have. When we cut production, they expand, so they become a nonparticipant very quickly.

This program—if they are all of a sudden selling on the world market, maybe they have to decide that they become participants when we are in our oversupply situation, as well.

Mr. **STENHOLM**. I think you have an excellent concept, and I believe it's something that—I might say that I borrowed just a little bit of the concept in the proposal that I outlined in my testimony. We're talking about the same thing; we're just saying it a little bit differently today, and it does offer some great hope.

Mr. Frick, you are the only one at the table that indicated opposition to Government efforts to control production. Do you really believe that we should not have any kind of a triggered supply mechanism in our farm programs that are dealing with production of food and fiber in this country?

Mr. **FRICK**. Mr. Congressman, as you know, I've been involved in this for about—observing and participating—for about 15 years. And if we look over the record, I believe back when I became Administrator of ASCS, at that moment farm payments made up about a quarter of the net farm income. PIK grew to almost 100 percent of the net farm income across the country, the cost of PIK. And my point is that as I look over this period, the control of commodities by Government edict, through participation in farm programs, has done not nearly the job as independent decisions down on the farm relative to the situation in farm prices and opportunities that there are.

Now, today, I know that the opportunities are not so great. I have some farmland not rented because the price of cotton is so poor. So it's 20 cents lower than it was a year ago. But as just mentioned, here we are with the Iowa corn farmer, the Kansas wheat farmer competing with the treasuries of Europe as far as their production with Europe—actually exporting and subsidizing all of the exports of those grains, where if they did not export any of those subsidized products, we would not have a surplus in the United States today. Over the last 4 years their exports, subsidized as much as they are, have created the surpluses of grains in the United States. And I'm saying to you that reducing the production in the United States only causes other nations to produce what we don't.

Mr. **Stenholm**. I totally agree with you on that statement, looking ahead to the future. I would argue very strongly that the reason we had a PIK is because we did not have a supply management feature in 1981 and 1982; that caused PIK to have to happen. But I guess what I'm getting at—and I'm about to run out of time here—I think we have to have supply management. I agree with you that it cannot be Government-dictated, but the concept we outlined, I would hope that you and the chamber would take a look at the concept whereby a supply management feature is there, but it would also be a message to be sent to the world. I agree totally; we can't cut back only, but with the market-oriented loan program that everyone at this table has outlined—and I fully support—I hate to see anyone saying we oppose supply management. I would much rather that you say it as the Farm Bureau has said it today. We cause a supply reduction program to be implemented when carryover exceeds workable levels. That makes much more sense than just saying we blanketly oppose supply management, because I would challenge you to find any member of the United States Chamber of Commerce that does not practice supply management.

Mr. **Frick**. Mr. Stenholm, I appreciate your comment. But I think if we look at the record, every nation in this world has enjoyed our supply management. We are the only Nation in the world that does supply management for the world. We don't do it for the farmers. If you look at the PIK Program, it did not help this Nation's farmers. They are in trouble, and I just think the record of supply management by this Government shows in our loss of exports around the world.

Mr. **Stenholm**. I would just encourage you to take a look at the testimony of your other two statements at the table. We're not arguing; I think we're talking about the future, not the past.

One comment, Mr. Chairman, if I may be permitted 30 seconds.

Talking about the cargo preference, Mr. Roberts and Mr. Delano, in your question. A point I think needs to be made for the media today, that what we're talking about today, wheat in Jones County, TX selling for $3.19 a bushel—that's $118 a ton—and it costs up to $50 additional to move that wheat to the starving people of Africa because we're required to ship it on American bottoms. Now, the chairman has made this point over and over: the Ag budget keeps getting run up the flag about how much it costs. Some of this should be attributed to other functions, other than agriculture. I'd like to see Public Law 480 included. I'd like to see our food budget, our agricultural budget just confined to agriculture, and let us debate the other activities wherever it needs to be, defense, et cetera. But that point—and I totally agree with your statement on that, and it's something that we do need to keep on a fast track and get something done about.

The **Chairman**. Thank the gentleman.

Mr. Bedell.

Mr. **Bedell**. Have the other members all had their chance?

The **Chairman**. We're moving back and forth.

Mr. **Bedell**. I have something to say, but I'll yield since I came in late.

Could I reserve my time, Mr. Chairman?

The **Chairman**. Yes. The Chair will come back to the gentleman.

Mr. Morrison.

Mr. **Morrison**. Thank you, Mr. Chairman.

Just a brief question to Mr. Delano. I am delighted with the Farm Bureau's consistent efforts in the area of expanding export opportunities. It is vitally important to us in the Northwest.

One of your statements indicates that in the trade negotiation area, we have to give our negotiators the tools they need and strong support. I'm wondering if you could elaborate a little more on what sort of tools that you might see that we could hand to them? I realize you've mentioned your "bonus" program, but beyond that are there some other mechanisms we could provide that would expand our opportunities to get their attention and open their doors?

Mr. **Delano**. Mr. Congressman, I don't know whether I can give you that many details. The terminology I used—I'm thinking of tools of allowing—I'm thinking of STR, mainly, and maybe agriculture, too, of allowing them a little latitude in making commitments. As an example, the Egyptian flour sale a couple of years ago—to me, that's the type of tool that we need to compete in world markets. And you, as Members of Congress, gave that authority. Tools like that is what I am speaking of. Specifically, I don't know that I could elaborate on this subject.

Mr. **Morrison**. Would the tools that you would want to give them go far enough to provide, say, a degree of reciprocity? That is, under which we could close some of our doors if, in fact, we were dealing with a customer that kept their doors closed to our products?

Mr. **Delano**. Yes, sir, that would be another. If the EEC is going to put a duty on corn gluten or other commodities, or oil seeds, be sure that our trade negotiators and/or our administration have the authority for reciprocity, yes, sir.

Mr. **Smith**. Would the gentleman yield?

Mr. **Morrison**. I will yield, Bob.

Mr. **Smith**. Thank you.

On the points you've each outlined, on export and domestic policy, we've not given much attention to imports coming into this country. These imports deny our agricultural production an even existence or a profit. With respect to tools to counter these imports, would you go so far as to support a suggestion that's been rambling around here that, given a certain amount of time to change their policies a surtax might be placed upon those commodities that are interfering with domestic markets to allow us to be competitive in this country?

Mr. DELANO. Well, sir, we've not taken a position on the surtax proposal as of yet.

Mr. SMITH. Mr. Frick, would you like to comment on the question of a surtax?

Mr. FRICK. In this world where things are coming into this Nation subsidized, exports out of Europe and other nations, I certainly believe that we need to take a tougher stance. I'm a little concerned on import levies, but I do believe that if we cannot get some material concessions from the European Community and from Japan relative to access——

Mr. SMITH. Canada?

Mr. FRICK [continuing]. Why, we need to take some action.

Mr. SMITH. I appreciate that, and I recognize that it is a rather radical position for those of us who are free traders to even discuss because we're all sensitive to retaliation procedures. Yet we've been so soft in this country with respect to trading and agriculture, I think it's time to play hardball and we'd better give the tools to our negotiators to play hardball. And that's my point, and I——

Mr. FRICK. Mr. Congressman, I couldn't agree more that we have been very soft over the last 20 years on this subject. The fact is, if you look at what trade negotiations have gone on for agriculture, you can find no instance of success by our Trade Negotiating Office—oh, I think they got a couple of oranges into Japan once, and I think one beefsteak—but that's about the extent of what the Trade Negotiator has done for the field of agriculture in the last 15 years. The record is very poor.

Mr. SMITH. I thank you for that statement.

I thank you for yielding.

The CHAIRMAN. Mr. Jones.

Mr. JONES of Tennessee. Thank you very much, Mr. Chairman.

Mr. Chairman, I have not been here for all the testimony, and I apologize. I was chairing another subcommittee. Therefore, I'm not going to offer any questions or suggestions except this.

I have briefly reviewed the prepared statements, and I want to say to Mr. Delano of the Farm Bureau, that I congratulate you on the position the Farm Bureau is taking concerning the farm bill. I want to say to you and to John Datt that I'm glad to see that the American Farm Bureau Federation has finally come forth with legislative proposals that are practical, and that you are listening to the grass roots of your membership for the first time in a good many years. I've been a proponent and supporter of Farm Bureau all of my life and my dues are paid up. And I am real glad to see that you have offered us today a farm program that looks reasonable, sensible, and something that I believe we can talk about here. I can't say that for what Mr. Frick offered today.

Thank you.

Mr. DELANO. May I respond that we'd be glad for Congressman Jones to cosponsor that?

The CHAIRMAN. Thank you.

Mr. Gunderson.

Mr. Gunderson. Thank you, Mr. Chairman, and I want to follow in the lines of my distinguished subcommittee chairman, Mr. Jones, by paying a special compliment to the Farm Bureau. Your statement—I think it is an excellent statement, reflective of the times, and I compliment you as an organization for being willing to frankly take a good look at your general philosophy and adapt that to the unique times we're in. And I think generally the National Council of Farmer Cooperatives statement falls in that same line; I want to compliment you.

I guess I want to spend my limited time, at least initially, talking to Mr. Frick and the chamber. You certainly are entitled to your opinion as an organization. But I have to tell you, in all due respect, that you don't represent the Chambers of Commerce in my district with this kind of a statement.

I have met with the two major Chambers of Commerce in my district at their request to discuss the problems in agriculture, and they're absolutely panicked at the impact of what is happening in agriculture today on the general business climate on main street in western Wisconsin. And both of those chambers have said, "What can we do to help you try to get something in terms of a constructive, realistic farm policy in this country?" I suggested to them that, "I think you'd better talk to your national office first, because they are one of the people, frankly, that is a problem right now." And I think it's unfortunate, frankly, to make this kind of an idealistic statement today even though it might be a good statement in normal times. But we're not in normal times right now. And as we witnessed yesterday with our discussions with the Secretary, to pursue an absolutely free market, when there is no such thing as a free market in agriculture, and to pursue a program and a proposal which is going to result in reduced net farm income in each of the next 4 years as we try to make that transition when we can't afford it, we are going to have not only a negative impact on agriculture, but an even worse impact on main street.

I was talking to one of my colleagues yesterday and they indicated that they were very concerned, because as they checked on classified loans back in their district, they found out that two-thirds of those loans in trouble were not to agriculture. One-third were to agriculture; the other two-thirds were to main street businesses that are in trouble because agriculture is in trouble.

And I noticed that you say that you adopted your statement in November. I have to tell you, a lot has changed since then out on the farm, and I would encourage you to go back to your membership. Don't go to the New York City and the Los Angeles Chambers of Commerce. Go to your rural Chambers of Commerce and try to adopt a more realistic statement.

And I'm certainly going to give you an opportunity to respond.

Mr. Frick. Only this, that in coming together with this type of a policy—and I happen to come from a farm community that has some problems; I have some land myself that's not rented because the price of cotton is too low for a person to afford to farm the crop. And I know that I think the Bank of America in California by July will have taken over 100,000 acres that they will own because of bad times. So it's not only the Midwest; I'm well convinced that all over the United States, agriculture is badly affected in the worst recession since the big depression. But I say to you that, when you talk about the businesses in downtown, small town rural America and look at what PIK did to those businesses in literally shutting them down—I know that in our community, not a tractor was sold; in our community, the fertilizer sales and all of those things went completely down because of the dramatic idling of ground. And I would only say this, that in this tremendous expenditure that's gone on in agriculture that's contributed to our very large deficit which has, to some degree, caused the overvalue of our dollar where we cannot export—if our dollar was not so overly valued, our values on the farm commodities would be much greater—but I think it's time to take a realistic and hard-nosed approach relative to world trade and to not let the European Community get away with what they have been getting away with ever since we encouraged the establishment of the EEC. I think it's time to look at those things rather than farm programs that have not worked. And here we hear about management of what you can grow from the Government——

Mr. **Gunderson**. Well, we can debate that, and I'd be happy to at some other time. But before my time runs out, I'd like to ask the Farm Bureau one other question.

Generally, you support the concept of a free market in agriculture, or that direction philosophically as an organization. I've suggested that we ought to perhaps consider a 6-year farm bill—2 years of, frankly, propping up some commodity prices, but put in the statutes today a transition towards a more market-oriented agriculture. Generally, would you support that direction?

Mr. **Delano**. Well, the final conclusion of the delegates of our organization was that we continue through this 4-year period of the farm bill to continue the concept of loan levels and target price. So we would have to support through a 4-year period the concept of both of these and tying them to the market in some way.

Mr. **Gunderson**. Thank you.

Thank you, Mr. Chairman.

Mr. **Foley** [acting chairman]. Are there any other questions at this time? Mr. Bedell?

Mr. **Bedell**. Mr. Chairman, I'd like to follow up a little bit on what Mr. Gunderson had to say.

I am equally shocked, Mr. Frick, by your testimony. I'd like to commend the others.

You say, Mr. Frick, that more than 85 percent of the chamber's members are small firms with fewer than 100 employees. Are many of those in rural areas, such as Mr. Gunderson and I represent?

Mr. **Hardy**. Yes, a good many are, sir.

Mr. **Bedell**. How many members of your board are from small firms from rural areas such as Mr. Gunderson and I represent?

Mr. **Hardy**. I cannot answer that specifically, Congressman, but we did do a survey at the chamber several years ago and we found that approximately 20 percent, or one-fifth, of our total membership were made up of firms—large and small, but many small firms as well—who are related to the food and fiber industry in some way.

Mr. **Bedell**. That's not my question. My question is—as I understand, you have 62 members on your board of directors; is that right?

Mr. **Frick**. That's correct.

Mr. **Bedell**. And they're the ones that establish policy; is that correct?

My question is—and 85 percent of your members are from small firms. I had a real problem in that the Chamber of Commerce constantly came before our Small Business Committee and constantly testified against anything we tried to do for small business. And we looked at who your board of directors were, and we found that it was completely dominated by the Fortune 500, great big businesses, even though 85 percent of your members are small businesses. Now, we have a problem in agriculture and you come before us and tell us that we should wipe out all the agriculture problems, and that we really shouldn't worry about whether our farmers go broke or not, that we should worry about whether we're going to be able to compete with the Europeans.

I agree that PIK was a problem; my people agree that PIK was a problem. I think that's irrelevant. The question is whether we're going to have some concern about whether our farmers and our rural communities are going to be able to survive. And for you to come forward and say that we should eliminate target price payments, for example, and have loans at market-clearing levels, as you say, I think is a terrible, terrible disservice to those people in my area who pay money to belong to the Chamber of Commerce and who are terribly concerned, as Mr. Gunderson has indicated, about our rural economy. It is my belief—and I may be wrong—that if you are going to have 85 percent of your members small businesspeople, and if a large number of them are from rural communities, I think it's only proper that they be properly represented on your board of directors, as you're starting to do to some extent with the small business community.

Are you telling me that you don't even know how many of your board of directors are from small businesses, from rural areas?

Mr. **Frick**. Mr. Congressman, let me respond to that only from a personal experience.

Mr. **Bedell**. No, I don't want a personal experience. I want to know if you know whether or not or how many of the 62 members of your board of directors are from small businesses from rural areas? That's a legitimate question. If you don't know, it indicates you don't care very much.

Mr. **Frick**. Mr. Bedell, I personally do not know. Let's see if Mr. Hardy does.

Mr. **Hardy**. Yes, sir. We will be happy to provide that information to you. We do know, and we do have a definition that we can provide you on how we distinguish between large business, medium-sized business, and small business. But we will get that information to you in writing.

Mr. **Bedell**. So you don't know?

Mr. **Hardy**. I don't have that information with me right now, no.

Mr. **Bedell**. You see, it would seem to me if 85 percent of my members were from one category, I would have some idea of what percent of my members represented that category. It's not easy for people like myself and Mr. Gunderson to challenge the Chamber of Commerce. You are a powerful lobbying organization; you have a lot to do with what happens in Congress; you support candidates; you do all sorts of things. But somebody better have the courage to tell you people, if you're going to come forward and say that we ought to wipe out agriculture, that, many businesses in our rural areas support these agricultural programs.

Mr. **Frick**. Mr. Bedell, let me just respond in this way. I serve on the Food and Agriculture Committee of that group, and of that group, about one-third are small by, I think, what you're calling rural American, and probably two-thirds of that committee are from larger corporations, to be as responsive as I can.

But I think we should go one step further and admit, or see, that one reason rural America—and I am a part of it, just as much as anyone—is in trouble is the huge deficits that are being run; and that's at this point in time, by this Government, that my dollar would be in a different shape and my cotton price would be 80 cents instead of 60 cents if we hadn't spent so much money.

Mr. **Bedell**. If I can reclaim my time, Mr. Frick, the Chamber of Commerce is the group that has supported that from one end to the other. You've supported the tax cut, which has allowed many big businesses not only to pay no taxes, but to get refunds; you've supported this program absolutely from the beginning, which has resulted in a $200 billion deficit. You know that as well as I know that; that's what you've done. Now what you want to do is come back and say what we've done is, we've created a great big deficit; now we ought not to do anything for the people that are in trouble, which are our farmers.

May I have an extra 2 minutes, Mr. Chairman?

Mr. **Foley**. Without objection.

Mr. **Bedell**. You say you're going to have an alternative system target price. What would be that alternative system, Mr. Frick?

Mr. **Frick**. I think the obvious thing that needs to be done—because I happen to believe that a corn grower in Iowa cannot compete with the treasuries of Europe; and if the Europeans did not export their subsidized grains, you would have no surplus of grains in the United States today and your price on the Iowa farm would be much better. And I blame this Government for not taking action.

Mr. **Bedell**. That's not the question, Mr. Frick.

Mr. **Frick**. That is the alternative, is either——

Mr. **Bedell**. What's the alternative that we should pursue?

Mr. **Frick** [continuing]. Is to grow in an export market where you have access and do not have to compete with export subsidies by other nations.

Mr. **Bedell**. But we have to compete with those subsidies.

Mr. **Frick**. We don't have to, if we would take a harder stand as a Government related to negotiations with the European Community.

Mr. **Bedell**. Oh. So your proposal is that we should negotiate with the other exporting countries to see if they would agree to some types of limitations or this sort of thing; is that your proposal?

Mr. **Frick**. I believe at this point in time we are negotiating an arms deal in Geneva from strength, I believe the way the President puts it. I believe we have the strength if we wish to take a strong position, to negotiate in this world.

Mr. **Bedell**. Is your proposal that we should try to call those countries together to try to see if we can negotiate some agreements that will not result in disastrous world prices——

Mr. **Frick**. I'm not suggesting we make prices by world edict. I'm suggesting we only come together if we, as the United States, are willing to have a bottom line negotiating point.

Mr. **Bedell**. But Mr. Frick, you say that you've got an alternative system. That implies that you want to do something now; I presume we've got a serious problem right now. I wish you would answer my question. I'm trying to save time.

Is your proposal that we should call the other exporting countries together to see if we can address this problem jointly and do something without having to have disastrous world prices on agricultural products? The answer is yes or no. Do you think we should or we shouldn't?

Mr. **Frick**. Sure. We should get together if we're willing to deal hard with them.

Mr. **Bedell**. OK. If that's the case, would you be willing to ask the administration to do this? Because I agree with you on this, except the administration has been unwilling to do so. Would the Chamber of Commerce be willing to write a letter to them asking them to call the other countries together to see if we can negotiate something that would prevent a disastrous price war on agricultural products?

Mr. **Frick**. I think that it's appropriate to negotiate with GATT, but I do believe that GATT is stacked against U.S. agriculture——

Mr. **Bedell**. I'm not talking about GATT.

Mr. **Frick**. I do not think it appropriate to call nations together to fix a world price.

Mr. **Bedell**. Thank you very, very much. I can't tell you how upset I am with the stand of an organization that supposedly is representing my small businesspeople in my area who are suffering failures time after time, and who are paying the Chamber of Commerce for them to come in and say that we think we ought to eliminate the supports for agriculture, and then say that the alternative system we have is not one that we would recommend at this time.

I yield back the balance of my time, Mr. Chairman.

Mr. **Foley**. Mr. Penny.

Mr. **Penny**. Thank you, Mr. Chairman.

First of all, I want to apologize for coming after the speakers had concluded their comments. As is typical around here, there were two committee meetings this morning and I had to juggle between them. I just came from Education and Labor, and one of the issues being discussed there was the appointment of Mr. Brock as the new Secretary of the Department of Labor. I think that's good news for those sectors of our economy that rely on trade abroad, because in the last 4 years we've had a disastrous trade policy. Setting aside the value of the dollar, we've had a trade situation that's just put our farmers in a real bind. Mr. Brock has had a record of giving away the store. When it comes to arms negotiations, this administration wants to operate from a position of strength; but when it comes to trade negotiations, we just hold our gloves down at our sides and let them pound us right down to the canvas. That's what we've been doing for 4 years. Though it's good news that he's leaving the position of trade negotiator, I don't think it's such good news for the Department of Labor that he's taking over there. Working men and women are not going to be well served by this appointment. Mr. Brock in the course of the last 4 years has participated in trade negotiations that have traded away about 3 million American jobs, so I don't think it's good news that he's moving over to the Department of Labor, although it is good news that it maybe gives us a better chance to get tough at these trade negotiations so that we can recover for our farmers some of their markets and recover for some of American industry their markets overseas.

I want to commend particularly the Farm Bureau this morning for their testimony. I've read through it; I've also had a chance to visit with our State president on this matter and with many of the Farm Bureau members of my district, and I want to indicate to you that the program you've put forward is realistic, it is practical, and it's something that will contribute to the debate on the farm bill here in the Congress.

If I might add as a sidelight, had your program been along these lines over the last couple of years, I think my ranking with the organization would have been 80 percent or better rather than about 40 percent, because this is the kind of a policy that I've felt that we needed to move toward. There may be some need for amendments and revisions, but we're in a position where we can discuss those because I think we're all on the same wavelength with this kind of a realistic discussion of the short-term needs to help family farmers stay in business during these tough times, as well as a long-term goal of a more market-oriented farm program.

Your bottom line, and I commend you for this, is that farmers need a price. How we get that is to make sure that we've got a market. Foreign trade is a more and more important part of the farmer's profitability than it was just a few short years ago. And yet we're losing that market, in part—as I referred to earlier—because of Mr. Brock's trade posture in the past 4 years.

Instead of the predictions by Mr. Block 4 years ago that we were going to get more and more markets overseas, exports have declined. In spite of the President's assertion when he signed the farm bill back in 1981 that it was going to result in about a 25 percent increase in markets overseas, we've seen a reduction in those markets—both in the bushels that we've sold, in the dollar amount that it's meant to American farmers, and in terms of the percentage of the total market that exists.

I know that you did spell out in your testimony some of the options that you think we ought to pursue in order to get back our share of that world trade. But if we're going to do that by making our prices more competitive, somebody's got to pay that cost of making our prices more competitive. How do you think that cost or that burden ought to be shared among taxpayers, producers, and our export traders?

Mr. **Delano**. Mr. Congressman, if you're referring specifically to the export "bonus" incentive as one, there will be some savings in storage costs to commodity credit, which would be a relief for the taxpayer. And these costs could be related to the export market and, of course, make us more competitive. So it'll be some cost borne by Government, but it will be some relief also because of the savings to avoid storage, if we can move these Commodity Credit stocks into world markets.

Mr. **Penny**. So you're talking about Government costs that would be involved, but that would be offset by savings in other areas?

Mr. **Delano**. Yes, sir.

Mr. **Penny**. Mr. Chairman, if I might have some additional time to pursue this line of questioning?

Mr. **Foley**. You are recognized for 2 additional minutes.

Mr. **Penny**. What about other advantages that we might have? Setting aside price, what are some of the other things that we can offer as we try to promote our goods in the world market?

Mr. **Delano**. I think market development plays an important role, and I think that one of the cooperative arrangements that we have with many commodity groups and our Government is one of the best opportunities for increased use of agricultural products in world markets, in countries abroad, and I think that's another role where Government can be helpful in expanding the use of our agricultural products.

Mr. **Penny**. I tend to agree with that. It's a matter of which budget that gets applied to, but I think we have to be realistic about these growing markets. And many of them are in nations that right now can't afford to pay a price. I think that we have to have some long-term policies to help build those economies, because if you strengthen those economies—even if you help strengthen their agricultural base—in the final analysis, they're going to be in a position where they want to buy more because the demand will be there, the ability to pay will be there. It may not be an immediate reward for us, but I think that kind of an investment in the development of the third world will pay long-term dividends because we will be an established friend, and that will make us one of the first people they turn to to buy from when they are in a position to buy.

Mr. **Delano**. Well, I would agree, Mr. Congressman, and I don't think we as a country have looked long-term at export markets. We've been satisfied for a long time with our domestic market, and just in the last couple of decades have we begun to look at the possibility of world markets. I think we're on that trend now, and I think we should make some long-term plans and not rely on short-term fixes.

Mr. **Penny**. Are we going to be locked into a situation where the export prices always are very low? The thing I'm concerned about here is if we get that price low enough to buy back into some of these markets, we're in a kind of a downward price war. And at some point that's got to bottom out, and our hope is it would turn around. We need it to turn around; we need export prices to be higher, and a lot of our trading competitors, to sustain their economies, need those prices to come back up, as well. Where do you think that's going to hit?

Mr. **Delano**. Well, I'm not sure—I don't have an answer, sir. I'm not sure where we're going. The dollar's not going to stay where it is forever, and I don't think we should get trapped into subsidizing exports forever. What we're talking about is short-term, until we can be competitive in the world. The European Community doesn't even need to subsidize now because of the value of the dollar; they can sell on an equal rate, compete with us equally. They don't need to subsidize, although we criticize them from day to day, but they don't need to subsidize now. So I think we shouldn't get—this is short-term, what we're talking about, until the value of the dollar does something other than it is now.

Mr. **Penny**. Again, I thank you for your testimony this morning, and I yield any remaining time.

Mr. **Foley**. We want to thank the members——

Mr. **Franklin**. Mr. Chairman?

Mr. **Foley**. Yes?

Mr. **Franklin**. May I have a moment with these witnesses?

Mr. **Foley**. Yes. The gentleman is recognized.

Mr. **Franklin**. Thank you very much, Mr. Chairman.

I'd like to direct my questions to Mr. Boutwell. Wayne, we welcome you here, and particularly about this marketing loan concept that has been discussed. I'm sorry I missed your testimony, but I think I kind of caught up with you in lieu of some of the questions that were asked.

If we set the loan rate at a substantially higher rate than the payback rate, will that not eventually mean that all of the commodities will go into the loan, and the CCC will own all of the commodities?

Mr. **Boutwell**. The marketing loan concept, Congressman, is to prevent the CCC from ever owning the commodities.

Mr. **Franklin**. All right. Well, explain that to me. I don't understand the concept. If the repayment rate is substantially lower than the loan rate—explain to me how it works.

Mr. **Boutwell**. The current program—whenever the economic says that the market price should clear below the loan rate, the Government simply absorbs those commodities into inventories in order to hold that price up somewhere around the loan rate.

Mr. **Franklin**. So the Government owns them all?

Mr. **Boutwell**. So the Government takes over those inventories at that point in time. Under the concept of the payback provision, the farmer receives the loan—as the current program—but pays the loan back at the competitive rate in order to move those products onto the market. Once the farmer pays that loan back, the commodities belong to the farmer, not to the Government. So once he pays it back, he is free then to market those commodities as he sees fit on the market.

Mr. **Franklin**. Have you put the pencil to this regarding the budget impact? Obviously, under current conditions, it would be in full effect if we used the figures that you quoted earlier.

Mr. **Boutwell**. We've had some private analysis done at some of the universities just on corn and wheat over the 4-year life of the bill. We asked this question: What would it take—it's very simple. Let me just go back.

We froze the targets and loans at the current level for the full 4 years; that was the assumption that we made in order to do a cost comparison. And then we added this feature into that. In other words, we cost it out under the current program with targets and loans frozen, 4 years. We froze targets and loans and then put this payback provision in. Just for corn and wheat alone, the savings were over $1 billion with this provision in there. The reason for it is that under the current program, even though you're absorbing, let's say, a small percentage, 10 percent or so of the crop, you're paying the full price on that amount. You're also paying storage and carrying charges on maintaining those inventories. You can discount the price back on the market through the payback provision much more efficiently than stopping the price at the loan and paying the cost of those inventories.

Mr. **Franklin**. What impact do your studies indicate that this concept would have on the domestic price of farm commodities?

Mr. **Boutwell**. The domestic price, of course, under this proposal is not a 2-price plan; it is a 1-price plan, which is one of the advantages of it. The domestic consumer would be paying the same as—on that same world market price, so you do not have a 2-price plan that causes you a lot of problems with value added exports and things like this. So it does have that advantage associated with it.

Mr. **Franklin**. Well, it's either an advantage or a disadvantage, from whichever way you look at it. In other words, we're going to reduce the internal domestic price of farm commodities to the world market clearing level.

Mr. **Boutwell**. That is correct. But once that occurs and you move those products onto the market, the analysis that we show is that once those stocks come down, then prices do in fact improve above the levels they would be had you simply maintained the current program.

Mr. **Franklin**. Let me get this straight. With the budget impact, saving $1 billion, obviously, even though we are clearing at world market levels we've got to be sure that the product is capable of moving because—I would guess that this theory would contemplate much more production, or substantially more production without some kind of restrictions or supply management included in it.

Mr. **Boutwell**. The production response will be associated with what levels you put on the support structure itself. In other words, whether or not those levels induce excess production. So it's critical in terms of where those levels are set and how they are adjusted over the life of this bill.

Mr. **Franklin**. So you do contemplate a supply management concept together with this program?

Mr. **Boutwell**. That is correct, Congressman.

Mr. **Franklin**. If we're going to reduce the domestic price to world market clearing levels, explain to me how the concept would lead to higher prices, which is what we actually need? How are we going to get from here to there under your concept of actually more farm income from the market?

Mr. **Boutwell**. Right now, Congressman, the prices for several of the commodities are sitting down around the loan, with substantial stocks of those commodities held in inventories, either in the private sector or in Government inventories. Prices are not going to improve above those levels until those excess stocks are removed from the market.

If you've got a situation where we're out of the international market, as we are now——

Mr. **Foley**. Without objection, the gentleman is recognized for an additional 2 minutes.

Mr. **Franklin**. Thank you, Mr. Chairman. I'm sorry. I didn't look at the light.

Mr. **Boutwell**. If we're out of the market as we are now, we're clearly not going to do anything other than accumulate more stocks under the current program, and that is just going to continue to aggravate that depressed price situation. So somehow, those inventories have got to be removed from the market before you'll see any kind of price strength above the levels they are now.

Mr. **Franklin**. Thank you. It's a very interesting concept, and I don't question you in doubt of your concept; it's only that I'm not very familiar with it and I appreciate your response and I'd like to talk to you further about it.

I thank the Chairman for granting additional time.

Mr. **Foley**. The Chair wishes to thank the members of the panel. Obviously, the panel's statements have evoked a great deal of interest here in the committee, and I know we could profitably continue. But we do have another panel waiting, and I'd like to express the committee's sincere appreciation to Mr. Delano, Mr. Datt, Mr. Morgan, Mr. Boutwell, Mr. Frick, and Mr. Hardy for giving your time and contributing to the record of this hearing. We're very grateful to you all. Thank you very much.

We will now call the second panel. Mr. Linwood Tipton, representing the Milk Industry Foundation and the International Association of Ice Cream Manufacturers, Washington, DC; the Honorable Birch Bayh, representing the sugar users group, Washington, DC; and Ms. Ellen Haas, from Public Voice, Washington, DC.

We are happy to welcome all of you to the committee today. Senator Bayh, we would be happy to hear your statement at this time, and extend a special welcome to you.

STATEMENT OF BIRCH BAYH, COUNSEL, SUGAR USERS GROUP

Mr. **Bayh**. Thank you very much, Mr. Chairman, members of the committee.

As you mentioned in my introduction, I am appearing today in my role as counsel of the Sugar Users Group, whose member companies use about 70 percent of all of the sugar consumed in the United States. We also work in close conjunction with many other organizations like that represented by Ms. Haas, who represent the interest of individual consumers. So it's fair to say that our group works in close conjunction with American industrial, as well as individual, consumers of sugar.

I think, Mr. Chairman, that it's obvious that the American public has become more and more aware that there's real trouble down on the farm, and those of us who have grown up in rural America have been concerned for some time. This concern is related not only to the well-being of farm folks, but also to what tragedy in rural America can mean to our entire country.

As you in Congress struggle with the problem, there is every indication that you and the administration are assessing and reassessing the value of and reasons for each of the variety of agricultural programs which are now public law. We assume that you will also be concerned about the interrelationship of these programs and the impact each of these programs has, not only upon the specific group of farmers involved, but also the impact each of the specific programs has on over 200 million Americans and the overall well-being, of course, of our country as a whole.

Mr. Chairman, we hope that you and the committee will carefully analyze our present sugar program in this regard. It is with this goal in mind that we feel privileged and grateful to you for having the opportunity to share our thoughts with you today. We realize that there are differing views on what constitutes a proper farm bill, and that you have the legislative responsibility, which is not an easy one in the agricultural field, and you must participate in the give and take which is always involved in the consensus-making required for any important legislative effort. We will be glad to present our best judgment as sugar users on what specifics should be contained in our national sugar program in writing for your consideration. But today, we prefer to stress basic principles which we believe should relate to all farm crops, sugar as well as others.

First, we believe that each farm program should be market-oriented. One of America's greatest strengths is our ability to produce food. No other nation in the entire world can equal our agricultural strength. This is an invaluable national resource, and we should recognize it and use it economically and strategically. The key to success for U.S. farmers, in my judgment, is expanding markets for their goods. We hope that you will consider the impact of the sugar program upon efforts to expand world markets for other agricultural products.

We believe that this program stands in the way of developing foreign markets to their fullest potential for producers of other commodities. Since the program was enacted in 1981, the strict import quotas employed to support domestic sugar prices have caused a 60-percent reduction in imported sugar. Further dramatic reductions can be expected in the future if the program is continued.

For other nations, sugar is one of the most important cash crops. Unless those nations can sell sugar to the United States, they can't earn dollars to buy our other farm products. Further, the sugar quotas provide a strong incentive for other nations to retaliate against our other farm products.

Let me illustrate, Mr. Chairman, with just one example, and the record can be made replete with others, and you are familiar with them, I'm sure.

In 1981, Brazil exported a little over 1 million short tons of sugar, exported a million tons of sugar, valued at about $380 million, to the United States. In the same time, it imported almost 4 million short tons of American wheat and corn, valued at almost $640 million. That's almost twice as much as the sugar they sold us. This year, Brazil will be permitted to ship only 368,000 tons of sugar to the United States, valued at about $145 million. If import quotas on sugar cause that nation and others who are affected similarly to reduce imports of U.S. grain as a retaliatory move or, frankly, due to economic hardship, the American grain farmer will lose a very important market for his produce.

Mr. Chairman, a second and very important principle we hope you will consider as you deliberate this year's farm bill is consistency and equity. There should be equity in the treatment of farmers, no matter what crop they produce. Unfortunately, Mr. Chairman, the sugar program as it currently exists falls far short of this principle. There are about 14,000 sugar producers in the United States compared to 446,000 wheat producers and equally large numbers of corn and soybean farmers. Yet the sugar program provides much more favorable returns for sugar farmers than for farmers who produce these other commodities. For example, during 1982 in Minnesota and North Dakota, return over variable costs for sugar beets was $411 per acre, while the return for corn for similar acreage was $121. In Louisiana, return for sugar cane was $458 per acre, while the return for soybeans was only $69 per acre, and I think the committee can compare those with other areas in the country.

The third principle, Mr. Chairman, is that we do not believe that the agricultural policy should place undue hardships on consumers and cause excessive economic distortion. It is our judgment that a 1 cent rise or fall in the price of raw sugar results in a change of $257 million in the wholesale cost of caloric sweeteners in the United States, and an impact of about $300 million on consumers due to markup practices at the retail level and the price umbrella provided to HFCS and low calorie sweeteners.

Mr. Chairman, as we know, the world market price is about 5 to 6 cents; the domestic price is around 22 cents, and the Sugar Users Group does not suggest for a moment that we should have a program which drives the market in this country down to world prices. But we do believe that when you have that disparity between world price and market price, when you have a loan price rate about 17.75 cents, and another 4 cents added to that particular price chosen by Congress, by the way the administration chooses to administer it through the MSP, then consumers are paying a significant price.

Also, I would like to document for the record, if I might, the way in which the sugar program is imposing a tremendous hardship upon those who produce various kinds of confectionery products. The candy people are about to be driven out of the market, to have to dislocate their plants and move to other places because of what's happening to the importation of low-priced sugar from other countries compared to our prices.

Finally, Mr. Chairman, we think it is essential that the Nation's agricultural policy work in conjunction with the Nation's foreign policy. The current sugar program is working contrary to our foreign policy in that area of the world which is most important to us, the Caribbean nations and in Latin America.

I had a conversation—I'll just close with a personal reflection—Ambassador Despradel, who is a very articulate, dedicated representative of his country, the Dominican Republic, it just so happens that when I was discussing this with him they had just received their check which we were giving them from our tax dollars under the CBI, and that was just almost the same amount that the country lost because it was unable to produce, through its own hard labors, the sugar needed to sell the United States because we cut its quotas. Now, that doesn't make any sense. We know why that happens, so far as instability is concerned.

So, Mr. Chairman, we appreciate your thoughtfulness in listening to our plea. We'd be glad to welcome the opportunity to work with the committee; it's no simple solution, but we hope we can work with you to form an equitable, market-oriented sugar program which will benefit not only the Sugar Users Group but our entire Nation for the years to come.

[The prepared statement of Mr. Bayh appears at the conclusion of the hearing.]

Mr. Foley. Thank you very much, Senator. We appreciate the testimony and we'll look forward to an opportunity to discuss specific aspects of any sugar program at a later time.

Mr. Bayh. Thank you, Mr. Chairman.

Mr. Foley. I would like to invite you to remain at the table, and we'll proceed with the other witnesses in the panel.

The next witness will be Mr. Linwood Tipton, representing the Milk Industry Foundation and the International Association of Ice Cream Manufacturers.

Mr. Tipton, we're happy to welcome you to the committee again.

STATEMENT OF E. LINWOOD TIPTON, EXECUTIVE VICE PRESIDENT, MILK INDUSTRY FOUNDATION AND THE INTERNATIONAL ASSOCIATION OF ICE CREAM MANUFACTURERS

Mr. Tipton. Thank you, Mr. Chairman. We appreciate the opportunity to discuss with you some of our views with respect to both milk and sugar.

The Milk Industry Foundation and the International Association of Ice Cream Manufacturers represent companies that use about two-thirds of all the milk that is processed and sold in the United States, and for that reason we're extremely interested, of course, in the milk support price policy. We also use, in our ice cream and yogurt and many other products, significant quantities of sugar and for that reason we're particularly interested in those commodities.

We are most interested in maintaining a very strong, viable domestic agricultural community, and we are quite aware of the fact that there are some rather severe problems affecting the credit and financial condition of many of our farmers. I think that it is a clear fact to most that these problems are not nearly as severe with respect to sugar farmers or with respect to milk producers as for other agricultural commodities, and we hope that the committee will be able to take a look at these as two separate issues. I think that one of them is clearly a credit and financial problem; the other one, I think, is a long-term agricultural policy problem. And hopefully, they can be resolved. I think there are two separate solutions to those problems, and hopefully they can be identified separately and resolved separately.

I know that the Secretary of Agriculture has submitted his proposals, and they haven't been received with great open arms, I'm sure; however, I do think that he is on the right track in many respects, and that is some of the principles that the Department of Agriculture had laid out as being the guiding principles that should guide the agricultural legislation. With respect to the specific bill that the Secretary has been proposing, I must point out that we think that in the case of milk, that he may have gone too far too fast. In the case of sugar, we think he did not go far enough or fast enough. And so with respect to the specific commodities, I think you'll have a lot of different debate.

But one of the things that we think is extremely important, not only for producers, dairy farmers, sugar growers, but for food processors as well, is to have a long-term base. We need to know what the rules of the game are going to be so that we can make capital investments and plan on that for quite a period. And later we can get into the very specifics about how some of the long-term investments have been grossly distorted as a result of the various commodity programs, and sugar is one of those.

The sugar program has not only distorted the production of cane and beet sugar in the country, but it has also artificially created a corn sweetener refining industry. Now, this is not the corn growers that I'm talking about, but I'm talking about the corn refiners. The U.S. sugar program has decimated the sugar refining industry in the United States and has destabilized the economies of our closest allies in the Caribbean Basin and Latin America. The sugar program can be singled out as one of the most inequitable of our farm support price programs.

Equity among the various commodities should be a policy goal of the new farm bill. This, too, would require a transition program for most commodity programs, but at the end of a specific period commodities should receive the same relative levels of support. The price support programs for milk should not distort the economic decisions of dairy farmers nor give dairy farmers an unfair advantage over other agricultural enterprises. Milk support prices should set dairy prices so that the rate of return to dairy farmers is not significantly different from other dairy enterprises.

One of the reasons we've accumulated large surpluses in the last several years is because dairy price supports have held milk prices at such higher levels than other farm alternatives. In some respects this has been financially rewarding, to sell feed grains in the form of milk instead of as feed grains.

As noted earlier, the same situation is true for sugar. The rate of return for sugar growers has been considerably greater than they can get from soybeans or corn. This has led to distortions at both the U.S. sweetener market, as well as the world market. These distortions should be avoided if we are to have a consistent and equitable agricultural policy.

One last point that I'd like to make, and that's particularly in the case of dairy, is that any new policy must provide the flexibility and discretionary authority necessary to make adjustments in response to the introduction of production technologies that are imminent. The commercial use of bovine hormones, for instance, could increase productivity per cow by as much as 20 or 40 percent, according to some researchers. And the introduction of that kind of a technology change could occur within the next 3, 4, 5 years. A development of this magnitude will have a profound impact on the dairy industry and dairy policy, and provisions should be made in the farm bill to account for this.

There are no doubt other elements that should be considered, but these are some of our thoughts today, and we will be testifying more specifically on the dairy legislation before the Dairy and Poultry Subcommittee. I'd be happy to share those views with you at any time.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Tipton appears at the conclusion of the hearing.]

Mr. FOLEY. Thank you very much, Mr. Tipton.

Before I recognize Ms. Haas, I'd like to announce to those in attendance that it's the intention of the committee, if the witnesses are available, to continue through the noon hour and to hear Mr. Bob Gray, Mr. Norm Berg, Mr. Ken Cook, Mr. John Pender, Mr. James Wright Jackson, Mrs. Sydney Beck, and Mr. David Johnson. So if those witnesses are available, we would like to just proceed without interruption until we conclude the witnesses scheduled for today.

At this time I would like to welcome Ms. Ellen Haas, who has been before the committee on many occasions. We're very happy to see you again here, Ms. Haas.

STATEMENT OF ELLEN HAAS, EXECUTIVE DIRECTOR, PUBLIC VOICE FOR FOOD AND HEALTH POLICY

Ms. HAAS. Thank you very much, Mr. Chairman.

It is a pleasure to return and to present our summarized statement.

For months consumers have been hearing, and citizens across the country have been hearing the serious problems of farmers and rural communities and how they are in trouble. We have heard that the costly dollar is reducing needed foreign markets for our farm products, and we've heard that soaring interest rates have made loans unpayable. And we've also heard that our complicated price support structure has made things, at the same time, better and worse.

What we have not heard about, in all of this discussion, is the American consumer, the person who buys farm products. Actually, it seems that the consumer has been left out of the picture almost entirely, as if he or she had no stake at all in the decisions about our food and farm policy.

Clearly, this is not and cannot be the case. The American consumer has a critical stake in food and agriculture policy; from the way our food is grown to the price we pay for it affect us all in profound ways, as we all know.

The 1985 farm bill is most important to consumers for a number of reasons. Our formal testimony goes into these reasons in much more detail. However, I'd like to talk of two major points that are of primary concern.

To begin with it's costs, both to taxpayers and through inflated food prices, through some programs, to shoppers in the marketplace. In 1983 the taxpayer cost of farm programs was approximately $25 billion, but consumers spent additionally $300 billion annually for food in the supermarket. Now, it is true that the average consumer spent 16 percent of their personal disposable income, but that range goes across a wide variety. And the poorest and most elderly among us spent close to 40 percent of their income on food. For these groups in particular, even slight rises in food prices can be devastating.

The second point that is of importance in considering the 1985 farm bill is the fact that there is an intrinsic lack of balance in current policy that haunts, annoys, and even offends us sometimes as consumers. For example, the lack of balance in distribution of price support benefits—because Government benefits are allocated on the basis of amounts produced, small farmers who sell less but have lower incomes and have greater expenses derive little benefit, while larger farmers who have high incomes and lower expenses receive most of the program benefits. However, as flawed as the programs are, we recognize that we find ourselves in 1985 trying to figure out how to make those programs work better, how they can be fairer and more reasonable while giving a fair shake to farmers and consumers, keeping our food supplies stable, and getting us back adequately into foreign markets. That's a tall order, and we at Public Voice are trying to fill it by taking on parts of the problem, working with our network of many hundreds of consumer groups around the country to find out which programs most impact on consumers, and try and reform those programs.

To begin with, the sugar program is the most inflationary subsidy program that directly affects nearly every food in the supermarket. Consumers, believe it or not, consume over 120 pounds of sweeteners. It's in everything from peanut butter and catsup through salad dressing and cookies. To the extent that Government raises the price of raw sugar through the subsidy program, it directly raises food prices for consumers. But the cost of sugar, or the sugar price support program, is hidden. It's hidden in the price at the checkout counter, placing disproportionate burdens on the poor. It serves, you might say, as a regressive tax.

And of all the commodity programs, the sugar program lavishes the most benefits per average producer. Sugar is produced by fewer than 14,000 farmers on less than 1 percent of our farms in America. Yet, if you consider the subsidy which is paid directly by consumer prices to that small number of farmers, it's out of proportion when you compare it both to wheat farmers, dairy farmers, or just about any other commodity program.

The second area of major concern to us—and let me just say, in closing on sugar, that what we're looking to in the farm bill is a program that clearly reduces these levels to a more reasonable level. We, too, are not looking to get rid of the program entirely; we believe that there is a need for a Government program at this time, but the levels are such that they are just so inflationary and so costly to consumers.

The second major area of concern to us, as the committee well knows, is the Dairy Price Support Program. Consumers spend more than $44 billion annually. It's interesting to note that there are more pounds of dairy products consumed in the United States than either grain products or meat. It, therefore, is a very important, nutritionally unequivalent product to consumers.

Today the supply of milk, as we've known for the last several years, exceeds by a significant amount what can be consumed. The extent of the program's failure is suggested by the fact that of the $17.5 billion spent by the CCC on dairy price supports since 1950, 48 percent has been spent during the last 5 years. In light of the pressing need to reduce the Federal deficit, these expenditures become unjustified.

Continuation, too, of the current policy, even with supports lowered twice this year—we have an opportunity on April 1 and July 1 to a point of $11.60 per hundredweight and frozen there for the coming 4 years—is not likely to balance supply and consumption. The current prospect is for abundant feed supplies, and that means that unless other costs of production increase more than expected, we'll continue to have these huge surpluses and huge costs to consumers.

The temporary 1983 Diversion Program didn't alter this long-term production outlook. The recent decline in the number of dairy cows had more to do with the higher feed costs caused by the PIK Program and drought than with the Diversion Program. For these reasons, we oppose any extension of that Diversion Program and are pleased to see that none seem to be moving very quickly, at least.

The solution to the oversupply problem lies in reducing the level of price supports and requiring the Secretary to base his decision on frequent forecasts of milk production and consumption. We don't advocate an end to the Price Support Program "cold turkey;" we really believe, however, that the status quo isn't helping us. We do need some form of Government intervention in order to assure stable supplies, but we do need to get the price support levels reduced below the $11.60 level and then, through a gradual process, move toward a time when supply and demand are brought into a reasonable balance. And the program's purpose becomes limiting and alleviating the large price swings. Those price swings and that roller coaster hurt the consumer as much as they hurt the farmer.

In closing, we believe that such a policy would be simple, effective, reasonable in cost, and that it would provide crucial protection to farmers and consumers. We look forward to working with the committee through these months and arriving at a very fair and equitable farm bill.

[The prepared Statement of Ms. Haas appear at the conclusion of the hearing.]

Mr. Foley. Thank you very much, Ms. Haas.

The Chair would like to announce that his previous announcement, about the possibility of taking this afternoon's panel during the noon hour, has failed to be possible of implementation, and we will have the last panel called—Mr. Gary Myers and Mr. William Armfield—in just a moment, and that will conclude the hearings for this morning. The committee will then reconvene at 2 p.m. to hear Mr. Gray, Mr. Berg, Mr. Cook, and the others on this afternoon's agenda.

Are there any questions of Senator Bayh, Mr. Tipton, and Ms. Haas?

Mr. **Bedell**. I'd like to welcome Birch Bayh back to our chambers here. Glad to see you back.

Mr. **Bayh**. Thank you, Congressman Bedell. Good to see you.

Mr. **Foley**. I want to thank all the members of the panel for your testimony. It's been a positive contribution to the committee record and we look forward to your participation in continued hearings and discussions of the committee.

I'll now call Mr. Ford West on behalf of Mr. Gary Myers of the Fertilizer Institute of Washington, DC, and Mr. William Armfield of the National Fertilizer Solutions Association, accompanied, I understand, by Mr. Jay Vroom, executive vice president.

Gentlemen, welcome to the committee.

Mr. West, would you like to go first?

STATEMENT OF GARY D. MYERS, PRESIDENT, FERTILIZER INSTITUTE, PRESENTED BY FORD WEST, VICE PRESIDENT, LEGISLATIVE AFFAIRS

Mr. **West**. My name is Ford West; I'm vice president of legislative affairs for the Fertilizer Institute. I'm sitting in today on behalf of Gary Myers, our president, who is home sick with the flu. He sends his apologies.

There is little doubt, I think, from anybody in agriculture, and hopefully by now all of America, that the American agriculture is indeed undergoing some major transformations in recent years. These transformations are not only impacting on American farmers, who are in deep, deep economic trouble, but they are also impacting on our industry and on the 21 percent of the population who are employed in all of agriculture and who rely very heavily on the productivity and the efficiency of the American farmer. One out of every five jobs in the United States today is in agriculture, and our agriculture asset base of $1 trillion is more than steel, automobiles, and the housing industry. It is a very important industry.

Our concern is the farm bill legislation. For the first time ever in our 100-year history as an association, in representing the fertilizer industry, we are involved for the first time in the ag legislation debate. We believe that, as a Nation, we have a capacity to kind of change the current situation that we find agriculture in and that we believe that the farm programs and the farm legislation that are being written out are going to impact agriculture into the 1990's, and can respond to some of the realities that we're facing in agriculture today.

Many reasons are given for our problems today, and many economists can give you different answers; it's take your pick—strength of the dollar, declining domestic interest rates, declining U.S. exports, deflation—but if you take all of those, we think basic to solving some of our farm economic problems and getting to the heart of improving farm income is the need to provide a consistent export market potential for farm products. And we'd like to see a trade title be the No. 1 title in our farm bill legislation.

We need some innovative ideas to improve agriculture exports, to help our farmers control the inventories, and to compete with some of our subsidized competitors in the international market. Before we can even begin to talk about some innovative ideas on our exports, we've got to deal—and Congress is going to have to remove—the burden of cargo preference requirements from the back of American farmers. No export enhancement program can be successful if agriculture has to continue to subsidize the cost of U.S. vessels. The application of cargo preference, as evidenced by the recent U.S. district court decision and the administration's cancelling the blended credit program, really acts as just another embargo for certain U.S. exports and export programs that are intended to help us compete in world markets.

We think if we can get this cargo preference problem solved and eliminate this burden to American farmers, then we can look at some real good, innovative ideas to help improve our export market. You heard many of them today. One such idea is the volume "bonus" concept. It would award America's loyal contract customers with additional quantities of grain, and this would help keep our supplies in check. Our customers would renew their faith in America as a reliable supplier, and American farmers would not be penalized for what they do very best and for their improved efficiencies and productivity.

Another idea that we'd like to see looked at is to require congressionally mandated agriculture trade impact statements for all legislation or Government action where it affects agriculture exports. These are just two of the innovative ideas that we have seen discussed; we think there are more.

We think that the best hope to improve farm income and a sound market—and to help a sound, market-based domestic agriculture—is to redefine the Nation's agricultural policy more toward the market promotion and market export enhancement program. And we think such an approach will help improve farm income and, ultimately, serve the best interest of the entire agriculture sector and the Nation as a whole.

Thank you.

[The prepared statement of Mr. Myers appears at the conclusion of the hearing.]

Mr. **Foley**. Thank you very much, Mr. West.

Mr. Armfield.

STATEMENT OF WILLIAM S. ARMFIELD, PRESIDENT, NATIONAL FERTILIZER SOLUTIONS ASSOCIATION

Mr. **Armfield**. Thank you, Mr. Chairman, other distinguished members of this Committee on Agriculture.

My name is Bill Armfield, and I am serving as 1985 president of the National Fertilizer Solutions Association. Our association represents more than 1,300 member firms involved with the fertilizer industry, and in excess of three-fourths of these members are all retailers dealing in fertilizer retailing directly to the farmer.

These small businessmen, in particular, find themselves directly on the firing line with U.S. farmer customers. The economic peaks and valleys of our farmer customers have always dictated the parallel health of the fertilizer industry—but it is especially so in these troubled economic times for our fertilizer dealers. I know this first-hand because I am a full-time fertilizer dealer in Sedgwick, KS.

I would like to depart here from my prepared, written testimony, and ask that it be entered in the record.

I will now turn quickly to some of the program specifics that we support.

We support a turn toward market orientation of Federal farm programs, with target and loan prices tied to a percentage of a rolling world market average price of a specific commodity. However, we believe that a legislative mandate also needs to be attached to provide for a share of the money saved to the U.S. Treasury—I want to back up there—if there are some savings to the U.S. Treasury, this should be reinvested then in agricultural competitiveness and export market development. This would include a very specific formula for transfer of Government resources into market development in the export competitiveness arena. Likewise, we would be interested in examining policy proposals before the Congress that would call for an orderly and gradual and equitable phase-out of support prices. Such a commitment to market orientation is a substantial departure from the past, and is a commitment on behalf of agribusiness to utilize our full productive capacity.

In the event that our Government or other governments around the world should choose to intervene in a free market activity via embargoes or additional subsidies, or even trade barriers, it would be the responsibility of the U.S. Government to compensate agriculture in the United States for such actions immediately, without compunction. Without such guarantees we would be opposed to giving up safeguards of income protection and price supports for farmers and the agribusiness community as part of the history that past Federal Government programs have provided.

We support a transition to free market policies at the Federal level which would exclude any consideration by Government of production controls. At the same time, we do support diversion of fragile lands into soil conservation. We strongly suggest that Congress and the administration act rapidly to oppose all efforts to enforce U.S. flag vessel cargo preference considerations that could impact our U.S. agriculture exports, supported by Government market development endeavors.

We support all Federal programs, existing and proposed, that will strengthen our export production and place us on a level playing field with competitors. The export volume bonus proposal is such an example.

In closing, I would also like to reiterate that while our organization and its members are market-oriented and believe that a twist needs to be incorporated into Federal farm programs so that the laws of supply and demand can effectively drive our production machinery, that we be certain that such a move guarantees access to existing and developing markets, both in the United States and around the world. A great danger exists in developing legislation that would only be a Federal budget reduction measure with no attention given to the current agriculture commodity crisis and the remedies that need to be brought about to help ensure that the free market can and will function for the most productive agriculture economy in the world, right here in the United States.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Armfield appears at the conclusion of the hearing.]

Mr. **Foley**. Thank you.

Mr. Franklin, did you have any questions?

Mr. **Franklin**. Yes, Mr. Chairman; I just have a few questions of Mr. Armfield.

You indicated that you are from the State of Kansas. Do you consider yourself a small businessman?

Mr. **Armfield**. Very small, yes.

Mr. **Franklin**. Are you a member of the chamber of commerce?

Mr. **Armfield**. No.

Mr. **Franklin**. Most of the people in your area who do the same thing, sell fertilizer——

Mr. **Armfield**. I'm a member of our local chamber of commerce, yes.

Mr. **Franklin**. Are most small businessmen who operate supply houses, fertilizer dealerships like I assume you do—are they members of the chamber of commerce?

Mr. **Armfield**. I think so, yes.

Mr. **Franklin**. You heard the national representative of the chambers of commerce here earlier today testify, and basically along the same lines. Were you here in the room when he testified?

Mr. **Armfield**. Yes.

Mr. **Franklin**. So you are basically agreeing with the national chambers of commerce's statement here concerning the direction that our farm program should take?

Mr. **Armfield**. I think it's been a proven fact that we need to move into more of a free market so that the competitive situation can prevail and allow us to get rid of some of our excess products. However, I'm not in favor of dumping agriculture as it stands today. I think it needs some definite attention, and we prefer to see that situation handled.

Mr. **Franklin**. If we get into a question of supply management versus free market, if that's what it comes down to, obviously a reduction in acreage affects drastically the supply side of the agricultural industries that you represent. Is that correct?

Mr. **Armfield**. Yes.

Mr. **Franklin**. And if we go toward a free market concept where we encourage more production and moving that production in the world market, then businesses like yours that are supporting agriculture throughout the United States will have more of a tendency to prosper, will they not?

Mr. **Armfield**. I would think that would be true, yes, sir.

Mr. **Franklin**. That's all I have, Mr. Chairman.

Mr. **Foley**. Thank you very much.

Mr. Armfield, I guess we all wish we lived in a type of a world that we could paint it the way we wanted it to be. You testified for a market-oriented program and a level playing field and this sort of thing. I have two or three questions.

Are you aware of the subsidies that Europe provides in regard to agricultural exports?

Mr. **Armfield**. Yes.

Mr. **Foley**. Do you believe that if we were to lower our price, that the European Governments would not beat those prices, and so on?

Mr. **Armfield**. No; I sure don't.

Mr. **Foley**. You believe they would not beat our prices?

Mr. **Armfield**. No; what I personally think is that the U.S. Government should look at the subsidies and maintain the American farmer on an equal and competitive basis. You're the one who's going to have to decide which direction that is. I have made some suggestions, and I hope that they have been listened to. But I don't see that, without any Government support, that we're going to be out there and be able to compete in world markets.

Mr. **Foley**. I don't understand. You're saying that if there were no Government supports, then do you think we could compete in world markets, and our farmers survive? Is that what you're saying?

Mr. **Armfield**. Yes; we would agree with that, if there were none. If there were no world market supports we could compete——

Mr. **Foley**. In the United States?

Mr. **Armfield**. There's going to have to be some changes in that direction. I don't think we can do away with it completely—at a given point, I don't think that we can do away with subsidies. We're saying that over a slow transgression [sic] into a complete free market, that possibly this direction is the right way to go.

Mr. **Foley**. You see, we're all wrestling with this problem, including the Chairman. But let me tell you my perception of the problem.

My perception is that world supply of agricultural products today exceeds world markets, and that supply is increasing more rapidly than world markets are increasing. Further the European governments are anxious to keep their farmers on the land for many reasons, and because of that today they're subsidizing their exports very heavily. I believe the European Community is going to continue to subsidize those exports however much they need to in order to continue to sell what their farmers produce. We've seen this happen in other nations, such as Canada, where they've taken more of our markets as we have cut back our production. I'm one of those people that believes that if we simply remove the price supports and the production controls and produce all we can, that we're going to get into a world price battle, the likes of which you can't imagine and have prices that are going to be devastating not only to us, but to all the world. Do you see something wrong with that thinking? Do you see some holes in it, or do you disagree with it in some way?

Mr. **Armfield**. Basically, I don't see any specific holes in your proposal except that since 1930, 1931, we've been operating on a subsidy, set-aside type of program, and we have not emerged as the leader in agriculture, at least in the last few years. It appears that we are unable to compete, or at least not willing to compete, and I think that right now agriculture is asking for some help in making us compete, which would give us some time to organize these long-range plans and get them into force so that we are able to get rid of—develop new markets, and we feel there are new markets in the world that can be developed whereby a greater proportion of grain and products can be moved into—and that's basically our belief.

Mr. **Bedell**. You come from Kansas?

Mr. **Armfield**. Yes.

Mr. **Bedell**. I think you are in a situation somewhat similar to what I have in Iowa———

Mr. **Armfield**. Right.

Mr. **Bedell** [continuing]. And the proposal, as the Secretary testified yesterday, would result in a 20-percent decrease in that farm income.

The concern some of us have is that, at least in Iowa, our farmers are already in a very serious situation, and if we're to lower their income by 20 percent, some of us think that's not going to help the situation and is going to make it a heck of a lot worse. Do you disagree with that?

Mr. **Armfield**. No. That's an immediate reaction; I think you're correct. I think we would have some problems by reducing the agriculture income out there immediately by 20 percent because, as you said, we're already in some phase of trouble. However, I'd like to think that we can think ahead and phase this thing down to get ourselves back into a market-oriented position.

Mr. **Bedell**. So you do believe that we cannot do this at once and we need to have a program that somehow helps our farmers have income as we try to get back to where we're more competitive in world markets? Do you, or not?

Mr. **Armfield**. Absolutely, yes, sir.

Mr. **Bedell**. Good.

Well, we thank you for your testimony, and we thank you, Mr. West, as well, for your testimony.

The committee will be in recess until 2 o'clock this afternoon.

[Whereupon, the committee recessed, to reconvene at 2 p.m. the same day.]

AFTERNOON SESSION

Mr. **Jones** of Tennessee [acting chairman]. The Committee on Agriculture will come to order.

Chairman de la Garza is unable to be here for the afternoon session. He would want me to express his thanks to each of you who has taken the time as well as the effort to present testimony to the Committee on Agriculture regarding legislative recommendations for the 1985 omnibus farm bill.

I, too, want to express my appreciation for your cooperation. We will receive testimony this afternoon from two panels of witnesses, and I expect to be finished by 3 o'clock or shortly thereafter.

All prepared statements will be accepted and entered into the record in their entirety, if you summarize. I ask the witnesses to please summarize your testimony in an oral presentation of not more than 5 minutes if at all possible.

Members of the committee will also be limited to 5 minutes for questioning, with an opportunity for a follow-up round of questioning should that desire arise.

We will now begin with the first panel: Mr. Bob Gray of the American Farmland Trust, here in Washington; Mr. Norm Berg, the Washington representative for the Soil Conservation Society of America, here in Washington; Mr. Ken Cook, consultant on agriculture and resource planning, here in Washington; and Mr. John Pender, Bread for the World, also here in Washington.

Welcome, gentlemen. I consider each and every one of you my personal friends. We have worked together; we have legislated together; we have walked down the road together in trying to address the needs of American agriculture, and I know that you will present testimony here today which will be helpful to the full committee.

The witness schedule shows Bob Gray as the first witness. Bob, we will just start out with you.

STATEMENT OF ROBERT J. GRAY, DIRECTOR OF POLICY DEVELOPMENT, AMERICAN FARMLAND TRUST

Mr. **Gray**. Thank you very much, Mr. Chairman and members of the committee. I appreciate the opportunity to testify.

I will summarize my remarks, and I would appreciate it if my total testimony were included in the committee record.

I know, Mr. Chairman, that this full committee started these hearings in the last few days to take a look at the problem of American agriculture, realizing, of course, that our farmers have been facing very severe economic times, and also realizing that we have a $200 billion deficit hanging over our heads in terms of what this committee can offer as a 1985 farm bill.

I would like to confine my remarks to some ideas. I know the committee is looking for ideas. I think that a policy that we have at the American Farmland Trust that we have been working on for the last 3 years—and I know I have testified in front of you and Mr. Gunderson on a number of occasions about soil conservation—but we think, here in 1985, despite all these other problems that agriculture has, that we have a program that fits in well with the times and that is competitive in terms of its cost and that it will finally do what we have been unable to do, particularly in the last decade, and that is start to really solve the soil erosion problem in this country.

I am going to basically confine my remarks to the idea of a conservation reserve to be included in the 1985 farm bill. I have been working with a number of organizations around town, and we have really reached a consensus on what is needed for the 1985 farm bill as far as soil conservation is concerned, and I would like to discuss those areas with you this afternoon.

First of all, I think that the conservation reserve, if placed in the 1985 farm bill, one, can save the Government a substantial amount of money in terms of the way we have been doing it with current policy. It will also put some money in the hands of tens of thousands of farmers today who are economically hard pressed. On top of that, of course, it is going to save millions of tons of topsoil—something that our programs, our commodity programs, in the past have never been able to accomplish.

I realize that in order to make a conservation reserve successful, we need to have a very strong sodbuster bill as part of the 1985 farm bill, and we will also be pushing very hard for that. We cannot let any more of this highly erodible land come into production.

But our policy, our farm policy in the future, has got to be able to respond to the changes in current economic conditions. It has got to be able to deal with worldwide changes in farm prices. But, at the same time, it has got to recognize that we cannot deplete our resources.

Of course, one of the things that has burdened our farmers today and has made our policy very difficult is the fact that we have brought in millions of acres of highly erodible land which has added to our surpluses, helped to depress prices, and, of course, resulted in billions of tons of erosion in the last decade.

Also, our current programs for idling land, year-by-year set-asides, annual set-asides, are expensive to administer and to run. The policies today, the programs, inflate the cropland basis, so when we do have set-asides, they are very expensive. And, of course, they do nothing to save soil.

So unless we incorporate a soil conservation reserve into the commodity programs—and I am not talking here about a separate program, one that is going to be an add-on, one that is going to be necessarily in title XV. It is going to have to be incorporated as part of the commodity programs in order for it to work. It is going to replace, really, the standard annual set-aside programs that we have had that have not worked and that have been very, very costly.

So I would really like to deal with that and confine my remarks to how this would work.

First of all, in looking at the problem of erosion in this country—and I know I have presented this information before, not only to the subcommittees but to the full committee—but we have found, and it is clear now with the new data coming out of the Soil Conservation Service, that the problem of erosion in this country is very concentrated.

The new data show, for example, that 42 million acres of our cropland today that is highly erodible, that is eroding at very, very high rates, is contributing 1.3 billion tons of erosion. In other words, 50 percent of the excess erosion that is occurring on our land today is occurring on just 10 percent of our cropland base, and that, of course, is causing a substantial amount of erosion. But that is a very, very small amount of acreage.

Now, what we are contemplating—my organization and many of the other conservation groups—and, of course, you have heard from the Farm Bureau and a number of the other farm organizations this morning—is a 30 million to 40 million acre conservation reserve.

Let me give you an idea how this would work from the standpoint of cost and soil savings. First of all, let's just take an example. We will say, within a conservation reserve, that we took out 15 million acres of wheat, 8 million acres of feed grains, and 4.5 million acres of soybeans, and 1.8 million to 2 million acres of cotton. That was part of a conservation reserve.

By calculating that in with our current policy and building a 10-year conservation reserve into our commodity programs, if we ran the current programs out the 4-year life of the farm bill—and we will say we froze target prices and loan rates at current rates, or even lowered them—the cost of the deficiency payments for that would run about $18 billion for the nine major program crops.

By incorporating a conservation reserve which would substitute for the annual set-aside program, we could save as much as $4 billion to $5 billion over the 4-year life of the farm bill. We have the data, we have the information that can show you how a conservation reserve can not only fit into the farm bill but result in substantial savings in the 4-year life of the farm bill today.

Also, not only will it reduce deficiency payments by taking some of this highly erodible land out, lowering the total production on these major crops; it will also, of course, raise prices, enhance the price effect of those commodities involved. It will also lower storage costs for these commodities as well, and as I mentioned earlier, it substitutes for the regular 1-year diversion programs which have not been very effective in the past.

So if we could take out just 30 million acres of our most highly erodible land, save this kind of money in comparison to current policy—and I know this committee is looking for ideas to save money but to get a good program, a good farm bill out that will help our farmers—this will do it. It will get some money in the hands of our farmers. It will help to increase prices, and it will reduce erosion.

But just on the basis of 30 million acres in a conservation reserve, we could reduce erosion by more than 600 million tons. Let me compare that to the PIK Program that we had in 1983. That program saved about 140 million tons of soil, and that took out about 76 million acres of land. A conservation reserve concentrated on highly erodible land could save over 600 million tons, almost six times more than we saved under PIK. In idling that much land, it cost us $28 billion.

This program, as I said, will save money because it will substitute for the current diversion programs, and it will also enhance prices for farmers—and of course the big payoff—for those of us who are concerned about conservation and erosion, it will substantially reduce erosion.

I appreciate the opportunity to testify in front of the committee today. We want to work with the committee staff. We have already started some consultation with your staff, Mr. Jones, and we will be working with other members of the full committee staff in explaining our program in more detail, and we would certainly like to see it given strong consideration in the 1985 farm bill.

Thank you very much.

[The prepared statement of Mr. Gray appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Bob.

Let me say that I am already familiar with the proposals that you have offered here today. It looks to me as if you are on the right track.

As far as my Subcommittee on Conservation, Credit, and Rural Development is concerned, we will be looking forward to working with you.

Mr. GRAY. Thank you, Mr. Chairman.

Mr. JONES of Tennessee. Now to Mr. Norm Berg, the Washington representative for the Soil Conservation Society of America.

Norm is a long-time friend of this committee. Norm, it is a delight, indeed, to have you with us today. You may proceed.

STATEMENT OF NORMAN A. BERG, WASHINGTON REPRESENTATIVE, SOIL CONSERVATION SOCIETY OF AMERICA

Mr. BERG. Thank you, Mr. Chairman and members of the committee.

The Soil Conservation Society does appreciate this chance to come back and present a statement that introduces the natural resource concerns into the farm bill discussion.

I was listening, Mr. Chairman, when the chairman of the full committee told a large group of conservationists in early February—and, incidentally, he had just come from a meeting in New Orleans that you were following him at that meeting there—but the chairman said in this group:

> We are having more people wanting to get involved in the 1985 farm act than ever in the history of farm legislation—and I welcome them. It's more trouble, it will be more difficult to get a consensus, but I welcome them because once you get a consensus, then you have a larger base. We need to put it all together; we need to get the word out.

The word is out in this area, Mr. Chairman, around the natural resource and conservation community. We are not latecomers, as you know, to the process. We have been at work for several years on the need to have closer linkage of agricultural and resource conservation policies and programs.

The 1983 Payment-In-Kind Program, coupled with the drought that swept across the farmlands two summers ago, made that even more obvious, that agriculture needed better Federal Government policies and that conservation needed to be more closely integrated into commodity programs, because we have seen some years of neglect and abuse that have left some of the conservation areas scarred and battered, and there has to be better consistency between policies and programs if we are going to have the sustained production not only from agriculture but the wide range of benefits that come from agricultural products and natural resources.

So this is the task at hand. We welcome the opportunity, and we feel that we are prepared now to offer help as you develop sound and workable policy.

We also think we are ready to demonstrate, as Bob Gray has pointed out, that new policy can not only more effectively link commodity and conservation policy; it will cost less than present programs.

An emerging consensus of conservation and agricultural interests has identified the pressing need to design commodity program features that, in the future, encourage rather than penalize those good stewards of the land willing to carry out sound soil and water conservation practices year after year. There is really a sizable group of interests out here in this community that are putting their best thoughts to this effort.

Just how this needed change will be addressed in the 1985 farm bill is obviously still open to a lot of discussion, but the Soil Conservation Act of 1984, H.R. 3457, carrying your name and many, many others, which passed the House of Representatives during the second session but failed to become law, addressed the several key issues that are certain to be central in the deliberations this year.

It endorsed the need to limit departmental eligibility if, as new cropland, it was going to be highly erodible. It also would have required the Secretary to carry out at that time a very limited Conservation Reserve Program.

It suggested that it was time to have a cropland base protection study that would have required the Department, before this year, to submit to your committee how well we could address the problem that now presently is happening, where we are unfairly rewarding those who overutilize their marginal lands and, at the same time, unfairly penalizing those who have kept marginal lands in conserving uses or practiced a conservation-oriented crop rotation.

Now, there are other issues that also need consideration beyond what was addressed in last year's bill. For instance, there are some very, very tough questions that still need to have answers:

Can commodity and conservation features in the various agricultural programs be integrated by requiring land users to meet certain soil and water management criteria on all of their lands in order to be eligible for Federal funds under economic support? The local conservation districts, with appropriate assistance from both State and Federal conservationists, could help assure equity in the implementation of this policy.

Can policy provide a more reasonable planning horizon for the land users? Past history clearly shows the land user, when he is dealing with annual diversions and set-asides, that it is not worth the investment in establishing the vegetation that can really benefit conservation, wild living resources, and water quality.

Can we concentrate the limited conservation assistance that is available through the governments to those areas of critical need but at the same time maintain a strong base program delivery capability nationwide?

Can export policy ensure the immediate and long-range productivity of our U.S. resource base?

Can Federal tax loopholes that stimulate actions that are inconsistent with multibenefit, sustainable agriculture be addressed by Congress in the tax reform debate?

I notice that H.R. 1383 again addresses a program that was passed by the House last year in terms of agricultural productivity relating to some of the alternative systems of farming that need to be examined in this country.

Can programs then also reduce the off-site impacts of land use and agriculture on water quality? Can that issue be linked to conservation and agricultural policy? The Chesapeake Bay initiative just east of us here is an example of how farmers can cooperate to do something about water quality problems.

My Soil Conservation Society of America, set up in 1945, representing several thousand professionals from every discipline related to soil, water, forest, range, and wildlife, has since the beginning been dedicated to the science and art of good land use.

Our Journal of Soil and Water Conservation that is published six times a year is a world-class magazine for those in this area. A special edition 2 years ago in June on conservation tillage was widely read and reprinted to meet very widespread demand. The time is right to move on this activity of conservation tillage from it being a practice to a system of farming.

The most recent edition that has just recently come out is dedicated to the nonpoint water pollution problem. In this, there are many articles dedicated to the concerns of agricultural and other land uses that relate to water quality.

There will also be a very timely release coming from the Conservation Foundation on the impact of soil loss off-site. Some of the estimates in there in terms of the damages that have to be cleared up are very, very substantial.

The administration's proposed Agricultural Adjustment Act of 1985 that has come up here very recently signals their intended retreat from dabbling in the Nation's farm economy. According to some, that may be beneficial in the long run, but it shows scant concern for the increasing loss of top soil, water quality, and wildlife habitat on our farm and ranch and forested lands.

Their bill states that the commodity acreage reduction programs in 1986, 1987, and 1988 would require that some of the set-aside acreage be devoted to conservation programs. However, the similar annual set-asides in the past have accomplished too little in terms of soil, water, and wildlife living resources conservation. This is based, as I say, on the continued uncertainty of next year's program as you view it from the land user's point of decision.

Title XV of their bill—which, incidentally, is the same title as the resource section of the 1981 farm bill—is limited to a relatively weak sodbuster provision. The promise that we had last year to wait for the 1985 farm bill for a conservation reserve and other ideas apparently lost out because of the overriding concern for the deficit.

Conservation is still an optional add-on to agriculture, and the considerations in terms of those decisions are not yet a fundamental part of what should be considered.

The 1981 farm bill, incidentally, title 15, had several excellent conservation features that, as the law of the land, have never been carried out. The deficit in terms of our national concern was nowhere near the present magnitude. Resource conservation issues, as we see it, can no longer be relegated to the back seat, made discretionary and expendable, when you consider future updated policy.

The new bill can include, up front, a statement of national policy that is concerned about both agriculture and resource conservation and the needed authority for implementation. I have seen suggested wording by highly qualified experts, Drs. Batey, Kramer, and others, for a farm policy preamble that is in my statement that should be looked at, because the preamble itself tends to set the tone for the bill in terms of the national concern

Conservation has always had to play second fiddle to the other concerns, and perhaps we can orient this by stating something about the concern for natural resources right in the beginning.

As you know, Mr. Chairman, on April 27 of this year, we are marking the 50th anniversary of the enactment of Public Law 72-46. That first permanent legislation authorized the soil and water conservation programs in USDA, created the Soil Conservation Service, and has led to a combination of Federal, State, and local government programs that have a very proud history, but they have a very, very challenging future.

As we join others in reflecting on past accomplishments, we need to be very, very practical about preparing for the problems yet awaiting solution.

That group that I have worked with throughout my lifetime is also concerned for any added cost of solving problems. So the good work under way, I think, will help you on the difficult decisions ahead.

Within that context, we know there is deep concern for the future of some who are now practicing agriculture, farming, and so forth. Within that context, the fight against soil erosion, though, cannot await for only the good times. Conservation needs to be part of the solution of profitability and sustainability.

Perhaps the time is here, and the time is right, to make conservation the center of the farm operation. To many it makes economic sense. We don't need to produce a lot more beyond what we are now producing in the foreseeable future. Rather, we need to reduce the cost of maintaining our present or even slightly lowering the production. Conservation farming may help to solve both our economic and our soil conservation problems.

We look forward, Mr. Chairman, to working to help the committee in any way we can, and we hope that farm programs, by design and action in the future, buy more soil and water conservation along with the other desired objectives of Federal policy and Federal budgets than they have in the past.

Thank you.

[The prepared statement of Mr. Berg appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Norm, for the usual good statement. We appreciate it very much, and we will be looking forward to also working with you as time moves on.

The next witness is Mr. Ken Cook, consultant on agriculture and resource planning here in Washington.

Ken, welcome.

STATEMENT OF KENNETH A. COOK, CONSULTANT ON AGRICULTURE AND RESOURCE PLANNING

Mr. COOK. Thank you very much.

I would like to submit my full testimony for the record, if I may, and I will just summarize my remarks here.

Mr. JONES of Tennessee. Without objection, it will be made a part of the record.

Mr. COOK. Thank you, Mr. Chairman.

I am a writer and analyst in food and agricultural policy, specializing in resource and environmental matters. I was the principal writer and analyst for the AFT report that Bob Gray mentioned earlier and also of a recent handbook on the 1985 farm bill that was produced by the Sierra Club, new players this year in the farm bill process.

I am working for a number of groups this year on the farm bill, all of whom have an interest, direct or otherwise, in resource conservation. But, today, the views I am expressing are strictly my own.

I was surprised to hear yesterday that Secretary Block stated before the committee that there are only three options available to us this year in the farm bill: mandatory controls, continuation of what we have, and the Secretary's flexible market-oriented approach, as he calls it, his Agricultural Adjustment Act of 1985. I was surprised that we were running out of good ideas even faster than we seem to be running out of money.

I think there is another option for the 1985 farm bill this year, and it is something that we have been talking about, Mr. Chairman, now for over 3 years.

I believe that Secretary Block, actually, and many officials in the Department support this idea, too, of the conservation reserve, and I think that they would have offered it as part of their farm bill package if OMB had not vetoed it.

A great deal of work has been done in the Department. As I talk to the people who are doing the work, the analysts who are putting their pencils to paper, it looks good technically to the people in the soil conservation end of things. It looks good economically to people who are expert in the USDA commodity programs, the export markets and all the rest.

It is a program that makes sense, but it is a shift in the way we look at agricultural policy. It is a shift toward a longer-term perspective, a willingness to recognize that there are certain limits that we can profitably live within in this country that will not cost us a great deal of money to taxpayers, will not cost us a lot to consumers, and will not cause the loss of tens of thousands of farmers over the next few years that is the most unfortunate loss of all, I think.

We do not need to take the kind of drastic and short-sighted approach that Secretary Block is calling for, and I don't think many of us want it, to judge from the lack of enthusiasm that we have seen for his program thus far.

I think that we need a policy that will force our competitors—our competitors in the European community, our competitors in Australia and Brazil—to force them to compete not against us altogether but to compete against our very best, highest yielding, most productive land. No one else has as much of it as we do.

If we can focus our energies and our farm production technologies on that land and not be burdened with the marginal land that we have in production now which slows down our policy process and makes it extremely expensive, I think that we will be more effective competitors in the world market, and that is exactly what we are trying to do in the 1985 farm bill.

In other words, with a conservation reserve, instead of starting from scratch every year with too many acres in production and a very high price tag, to yank 30, 40, or 76 million acres out of production, 1 year at a time, we would narrow the average gap between supply and demand by pulling out some of the high-cost, marginal, erosion-prone acreage for at least 10 years, pull it out of production, and we can do that.

A companion measure, as you know, Mr. Chairman, is the sodbuster policy, and that is aimed at preventing—discouraging, not preventing—but discouraging as strongly as we can the addition of more highly erodible land that is not now in the crop base but is just waiting out there to come under the plow, and which we now subsidize by providing price supports and commodity loans across the country.

Now, I must say, as someone who has looked at conservation policy and written about it for 5 or 6 years, that if the conservation reserve did not have a role to play as a way of more efficiently balancing our supply with our demand, it would be unthinkable in the current policy environment to think about a conservation reserve, to propose a conservation reserve.

It is a fact of life that under emergency farm policy conditions—the conditions we have had for 50 years now—soil conservation does not make it to the agenda. But we think with the conservation idea and the sodbuster idea, we put it right at the center. It works in tandem and accomplishes several goals simultaneously.

The potential soil savings of a reserve, as you know, Mr. Chairman, are tremendous. Bob Gray has already alluded to those. As a general rule of thumb based on calculations we have done on the 1982 national resources inventory, we estimate that if you can take just 5 to 7 percent of the land in any one crop out of production for the long term—not in annual programs; it has got to be long term—you can reduce soil loss on those crops by as much as 30 percent or more.

Now, how would the conservation reserve program work? First, we know that we have now a solid technical capability to identify erosion-prone land. In your State, Mr. Chairman, in 1982, the Soil Conservation Service visited almost 20,000 sample points where they did determinations and estimated losses of erosion and reported them in a computerized data base that we now have full access to. They can do the exact same thing for a much smaller acreage in the conservation reserve and in the sodbuster.

We can have qualified technicians go out and assure a farmer that, where money is on the line, the determination that will be made will be fair; it will be backed up by many years of experience and by a solid technical base in that State and at the national level as well, wherever questions may arise.

Some 40 to 50 million acres, we estimate, would be eligible for a conservation reserve. Farmers would apply for the program. Local SCS or conservation district officials would certify that the land meets the criteria of being erosion prone, and farmers would submit bids in the amount that they would accept to take that land out of production for 10 years and retire the base, acreage, that is associated with that land.

ASCS would accept the lowest bids first in the conservation reserve at the local level, as they did with the whole farm bids in the 1983 program, and within 1 year, land in the reserve would be protected from excessive soil loss.

The land that was in the PIK Program now, if it is back in production, which it likely is, is eroding at the same rate it was eroding at before we had the 76 million acre PIK Program.

We should aim, I think, for a reserve of at least 30 to 40 million acres over the next 3 to 4 years. I think that is feasible economically, and I know it is feasible technically, at the field level.

Bob Gray has already talked about the cost savings that we can anticipate through doing a conservation reserve in lieu of a portion of the set-aside and paid diversion programs we now have in place. I will not elaborate on that further at this time, Mr. Chairman.

I would like to talk just briefly about the sodbuster policy and how we think it would work. Farmers would be required to report to the local ASCS office prior to cultivating any land that has not been cultivated since 1981.

Most of us now favor a shorter grandfather period for the sodbuster bill. We think it is easier to administer, and we think it is, frankly, needed from the point of view of not grandfathering in millions and millions of acres that, by any standard, are extremely highly erodible and should not be allowed to escape the sodbuster sanctions unless they adopt a conservation plan, as your bill provided for last year.

If the land is highly erodible, as defined by the sodbuster policy, farmers would be informed well ahead of time that cultivating would cause them to forfeit their right to participate in most USDA programs for all of their land, unless they immediately implement sound conservation practices on the land they propose to open up.

By 1989—and this is a new proposal that a number of people have talked about, and in the conservation and environmental community, I think there is broad and very strong support for this—by 1989, the sodbuster policy would be put into effect for all land, including land that has been in crop production since 1980.

We need a tough policy like this to discourage additional highly erodible land from coming into production. We figure that somewhere in the neighborhood of 600,000 to 800,000 acres of highly erodible land are being added to our production base year.

We have not been able to do the exact calculations yet. We hope to do them soon. My best guess is that if you took the soil loss from that land that is coming into production, it would completely offset the savings that we gain through the Soil Conservation Service programs and the agricultural conservation programs. I think the soil loss on those acres would be so high that it essentially wipes out what we are able to manage with the programs, the traditional soil and water conservation programs.

We cannot tolerate more strain on those programs, and we cannot expect our crop programs ever really to be efficient if we continue to allow marginal land to come in and bloat that base acreage.

By phasing in the sodbuster policy on all land by 1990, we think we can provide a very strong incentive for farmers to participate in the soil conservation reserve.

Mr. Chairman, we could go into great detail about aspects of these policies and programs, but I would be happy to respond to your questions or the questions of any members of the committee later.

I would like to leave you with one thought: These policies, these conservation policies, are, as Bob said— this is the time to do them. This is the time to implement them. I think that the much-talked-about 2-year extension of the farm bill in 1985 is a political copout which I believe is unacceptable to most of the groups that have worked hard on this program, and I would urge them to say so to the Members of Congress that they are working with—that this is the year to come to some difficult but, I think, necessary decisions in the area of agricultural policy. I think these ideas should be at the center.

Thank you.

[The prepared statement of Mr. Cook appears at the conclusion of the hearing.]

Mr. **Jones** of Tennessee. Thank you very much, Mr. Cook, for your statement. We do appreciate your presence.

Now we move to the final member of the panel, Mr. John Pender, representing Bread for the World here in Washington. Mr. Pender, it is a pleasure to have you.

STATEMENT OF JOHN PENDER, AGRICULTURAL POLICY ANALYST, BREAD FOR THE WORLD

Mr. **Pender**. Thank you, Mr. Chairman and members of the committee.

I am John Pender, agricultural policy analyst with Bread for the World, a nationwide movement of Christian citizens with over 45,000 members who are concerned about public policies to help hungry people.

We believe that a fundamental goal of food and agricultural policies should be to promote a world in which all people have enough to eat. This requires food assistance programs which work well to provide food to those in need. It also requires agricultural policies which contribute to the availability of an adequate and reliable food supply while promoting a healthy, stable, and sustainable agricultural economy.

That is a pretty broad agenda. Today, I would like to limit my comments to talking about grain reserve and land reserve programs.

Bread for the World supports reauthorization of the Farmer-Owned Grain Reserve and the Food Security Wheat Reserve as critical components of a policy to promote food security and stability in the agricultural economy.

The Farmer-Owned Reserve helps to ensure a reliable supply of grain and prevent severe price changes, while the Food Security Reserve ensures that we can meet food aid needs when supplies are short.

We are very concerned about the administration's proposal to eliminate these reserves and replace them with a discretionary reserve program much smaller than present reserves. This proposal could reduce world grain reserves by as much as 15 percent, seriously threatening world food security.

In addition, the discretionary nature of the proposal provides no assurance that a reserve would be present to safeguard food aid when supplies are short.

Elimination of the Farmer-Owned Grain Reserve, coupled with the administration's proposal to dramatically reduce price supports and eliminate supply management programs, would increase instability in agricultural markets in the rural economy at a time when agriculture is suffering greatly from boom and bust.

How well has the Farmer-Owned Reserve performed? The Farmer-Owned Reserve has functioned well to ensure a reliable grain supply and prevent severe price changes. In 1980, the program helped to prevent a price reduction following the Soviet grain embargo.

In 1983, grain released from the Farmer-Owned Reserve prevented a severe feedgrain shortage which could have resulted from the Payment-In-Kind Program in drought that year. Corn production fell by 50 percent in 1983, and only by drawing heavily on Farmer-Owned Reserve stocks could domestic use and exports of corn be maintained.

This insurance of a reliable grain supply provided by the reserve is important not only for food security but also for the development of export markets and stability in the rural economy.

While we support reauthorization of this reserve program, we are concerned about the way the program has been used in recent years. Reserves should not be used in lieu of supply management programs. The absence of effective acreage controls in 1981 and 1982, together with incentives encouraging farmers to produce for the reserve, led to excessive accumulation of reserve stocks and a dramatic rise in program costs.

Culminating as it did in the dramatic 1983 PIK Program, this approach proved to be a threat to food supplies and to the stability of the rural economy, as well as being enormously expensive.

Bread for the World believes that the solution to these problems lies not in eliminating these programs but in using them more effectively in coordination with each other. Reserve accumulation should not be encouraged when reserve levels are already excessive.

A possible improvement would be specify that if U.S. carryover stocks exceed a maximum level desirable for food security, entry incentives would be kept to a minimum. A target for the minimum size of the reserve should be specified as well. If carryover stocks are lower than a minimum level necessary for food security, incentives to enter grain into the reserve should be raised, provided that prices are below the release level.

To better serve the goals of food security and stability in agriculture, grain reserves could be coordinated with a system of cropland reserves. Some scaling back of production is needed when market demand is unusually slack, as it has been in the last few years, to protect against a major agricultural recession. The goal should not be to hold good cropland permanently out of production but to hold some cropland in reserve when excess capacity exists.

Placement of cropland in the reserve could be based upon carryover stock levels, with the size of the reserve determined to keep projected carryover stocks below the maximum desired carryover. Cropland would be released from this reserve to keep carryover stocks above the minimum desired carryover.

Such a cropland reserve program, operated in a predictable manner and coordinated with the farmer-owned reserve, would help to ensure a reliable supply of grain and reduce the boom and bust in agriculture. It also would contribute to conservation of resources, particularly if priority is given to conservation benefits in choosing land for the reserve.

While the cropland reserve would have important conservation benefits, it would not take the place of strong sodbuster legislation or of a conservation reserve program.

Bread for the World supports these proposals, together with well-targeted conservation programs, as critical to preserving the quality of our agricultural resources and the security of food supplies. We look forward to being able to work with you in the coming months toward a farm bill which would incorporate these objectives. Thank you.

[The prepared statement of Mr. Pender appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Pender. We appreciate your presence and your statement.

Is there any rush on the part of this panel to leave?

Mr. GRAY. I have to leave, Mr. Chairman, yes.

Mr. JONES of Tennessee. Does any member of the committee have any questions to propound to this witness?

Mr. EVANS of Iowa. Mr. Chairman, are you speaking about Mr. Gray?

Mr. JONES of Tennessee. No, I am talking about the whole group. Since we have a conflict, we might as well just look to all of them.

Mr. EVANS of Iowa. I see.

Mr. JONES of Tennessee. Does anybody else have a problem besides Bob Gray? The reason I am asking is, I would like to finish with the other panel before I question anybody, if I could help it.

Tim, are you the only one?

Mr. PENNY. I didn't have any questions of this panel, but they have all really been very helpful with their testimony, and I wanted at least one member of the committee to join with the chairman in thanking them for their presentations.

Mr. JONES of Tennessee. Very good. Well, if that is all, that is great.

Mr. GRAY. Mr. Chairman, I would just like to mention that I didn't have an opportunity to say, or I forgot to when I was testifying, that we left with each member of the full committee a copy of our soil conservation report that we released that does outline the conservation reserve. Of course, as I have mentioned in my testimony, we have done a great deal of calculation on the saving there.

Of course, I included a report that we completed, also, on future policy directions, which incorporates the cost for a 30-million-acre conservation reserve.

Mr. **Jones** of Tennessee. Bob, we appreciate the good work you have always done, from the first time that I ever met you when you were with Congressman Jim Jeffords when he was a freshman here. That has been some time back. You have always done a fine job in whatever you attempt.

If there is no questioning by our members to anyone else, I am going to ask them to step aside and hear the other panel first.

Mr. **Evans** of Iowa. That is fine. I would like at some time to have a chance to ask some questions.

Mr. **Jones** of Tennessee. You are going to have a chance, because we are going to have them before our subcommittee.

Mr. **Evans** of Iowa. Oh, are we?

Mr. **Jones** of Tennessee. Yes; we will have them before our subcommittee. That is the reason I am going to reserve any questions this afternoon, because we can question them for as long as we like.

Some people have schedule problems, and that is the reason I was asking if somebody needed to leave. If not, if you gentlemen will remain if you possibly can, I am going to call the other panel up.

Our next panel will consist of Mr. James Wright Jackson, director of the National Pork Producers Council here in Washington; Mrs. Sydney Beck of Pansey, AL, representing WIFE, Women Involved in Farm Economics; and Mr. David L. Johnson, a farmer from Hector, MI.

I am going to yield to a member of the Agriculture Committee, Mr. Penny of Minnesota, for the purpose of introducing Mr. Johnson, who will be heard first. We are going to reverse the order this afternoon in this panel.

Mr. **Penny**. Thank you, Mr. Chairman.

I simply want to welcome Mr. Johnson to the committee. Over the past several months, in particular, he has been quite active in the development of suggestions on both farm credit and long-term farm policy. It is always good to have someone from my home State appear before this committee to give my colleagues on this committee the benefit of some Midwest advice on farm policy.

Welcome, Mr. Johnson.

Mr. **Jones of** Tennessee. Thank you very much, Mr. Penny, for those words.

Now, Mr. Johnson, we are delighted to hear from you.

STATEMENT OF DAVID L. JOHNSON, FARMER, HECTOR, MN

Mr. **Johnson**. Mr. Chairman, Congressman Penny, and members of the panel, I am very pleased to have this opportunity to share some thoughts about farm policy and the current problems that we are experiencing and reflect upon my 30 years of farming and the various farm policies that I have lived with in my farm career.

I am from Renville County, and I farm about an 1,800-acre corn and soybean farm, which is all in crop, and it is highly productive land. It is equipped with a full line of equipment and modern machinery and storage.

Our current problems out there continue to degenerate. I think they have degenerated significantly since the President vetoed the Emergency Credit Act.

Approximately one-third of our farmers are not financed for this spring, and I have some data from our Redwood Falls Renville Federal Land Bank that I would like to include in the record.

Our land bank association has 1,503 loans totalling $141 million volume. Of that total, 468 are over $1,000 an acre, totalling $84 million or 62 percent of the total volume; 122 loans are in a delinquent payment status. One year ago, there were 33. During the entire year of 1984, there were seven foreclosures. So far in the 2 months plus of 1985, there have been 35 foreclosures, plus the director, Mr. Dean Toft, gives a conservative estimate of at least 50 more projected by the end of 1985.

I have experienced, over the last 5 years, considerable deflation in my farms assets and property, just as Secretary Block said yesterday.

I talked with an old-timer recently who suggested that his son, 1 year ago, in Renville County, had purchased a piece of property, I believe 160 acres, and paid $2,000 an acre for that, cash, based on the previous drop in farmland and his projections as a sugar beet grower. This gentleman informed me that today that land probably wouldn't bring $1,000 an acre. In fact, a lot of people think it might be worth as little as $800 an acre.

This young man probably was very foolish, when we look in hindsight. Nonetheless, the point I want to make is that land values have descended at a rate probably unparalleled in history, even in the Great Depression, according to this old-timer that I visited with.

I have the sad news to bring you that in southern Minnesota two young farmers, because of the extreme stress, recently, in the past few days, committed suicide. So the problems are enormous on the farm scene.

In 1980, a major farm policy shift occurred when the chairman of the Federal Reserve Board, Paul Volcker, with the concurrence of the Reagan administration, decided to "sweat" the inflation out of agriculture. This policy was accomplished by increasing the spread between the average farm interest rate and the rate of inflation or, simply stated, high interest rates compared to low inflation rates.

The spread between inflation and farm interest rates in 1980 went from 2 points to 20 points. Thus, farm debt became very burdensome, forcing farmland values downward, sending the farm sector into deflation. It meant to the farmer a deflation rate of 10 to 15 percent per year, writing down, as I said previously, one-half of my assets and most farmers', and probably more than that.

Now, what is the significance of this development? The significance is that the underpinnings for farm credit, farm debt, if you will, have been just slowly and surely eroded away. Many farm people find themselves in the dilemma where they are sound operators, yet have no net worth left, because it has simply been written off.

As I discussed earlier, in the case of the Federal Land Bank, substantially one-third of their loans are now without any support in terms of having value left in them.

The misery index for farmers has been very harsh under this policy. I guess I would stand here today and say that we have literally been sweat out, and it is time to do something to stop the downward spiral that we are experiencing, especially the young in farming.

Many agricultural banks, PCA's, FmHA's are now prohibiting a father from starting his son in farming. For 46 years, under the safety net concept of the 1934 agricultural stabilization conservation policy, this spread between inflation and interest rates was less than four points, providing stability and prosperity.

I am convinced our extreme credit liquidity crisis problems are not caused by the failure of long-term agricultural policy, which has survived 10 Presidents, 25 congressional elections, a world war, inflation, and a number of other factors among them.

First of all, I guess I feel the burden for our farm community as a farmer, a longstanding farmer, and I am deeply frustrated by a Secretary of Agriculture who refuses to speak out and defend his fraternity to the same magnitude that the Secretary of Defense, Mr. Weinberger, does.

It seems to me that as we have looked at the last 4 or 5 years of policy, many more steps could have been taken to mitigate the excess production that has occurred. Perhaps much more land should and could have been taken out of production.

You kind of feel like the little boy on the block that has got a big bully just pounding on him, and he doesn't stop pounding on him, and he doesn't respond. The neighbor came along and said to the little boy, "Why don't you do something in return?" The little boy looked at him and he said, "Well, I just don't want to start a fight."

In regard to the impact that the unfair trade practices have had upon us as farmers, as the dollar has gone up and up and up and up in value, the prices that we receive as farmers seem to go down and down and down in direct response to the rising cost of the dollar. We have become America's whipping boy in terms of accepting the punishment for the dollar's strength.

Nonetheless, when we look at the administration's proposed Agricultural Adjustment Act of 1985 and consider the concept of the open market marketing philosophy, I guess, as a farmer of long standing, I feel that we have always been open marketed. We have always offered grain to other traders for cash on the barrel. The only question now is, at what price?

If, indeed, this country abandons its long-term practice of setting the price for world trade under the market peg system that goes clear back to 1934, who, then, is going to become the heir apparent as we look around the world? Is it going to be Canada? Is it going to be Russia? Is it going to be the South American countries? Is it going to be the EEC? I rather doubt that any of them are going to assume that role. It seems to me, in all probability, that the grain prices are going to plummet to the new support levels that are being proposed.

I guess I would like you to look at the Board of Trade options as we look forward over the next year. They are basically flat. There is no carry in them. I would also like to have you look at the effect of the support levels we currently have, and they are virtually written into every single one of our options.

Much testimony has been given about the free grain market, and I guess in summary I would suggest that perhaps it simply does not exist and that, as a farmer, I am unwilling to accept this concept at this time.

The European Common Market uses tax dollars as a direct subsidy to exit grain surplus from their shores, and this is so quite simply because they have decided upon a policy of having all of their grain lands planted and would rather do this than to deal with the problems of unemployment, more welfare, and all of the other attendant problems.

They are also willing to accept the tax burden of writing down the cost of grains so that they exit their shores, and thus they have no spoilage or carryover problems.

The longstanding agricultural policy of supply management idling land plays directly into the advantage of the European Common Market and most of our world grain competitors. That is to say that as we idle land, the rest of the world is increasingly expanding its land and using tax dollars to write down the price of grain so it enters the world market, and we are the losers.

This is so because the EEC policy is to plant its entire acreage with no set-aside. Their system is willing to accept the tax burden of offsetting high farmer price with tax dollars to lower grain prices sufficiently to exit their shores.

America, this country, must play her role as a major world grain exporting nation. The longstanding agricultural policy has provided America with the greatest quantity, quality, and the lowest price of food ever known to a country. We must alter this policy by developing an internal agricultural policy which raises prices levels to a level which relates to the business environment that our farmers must engage in.

We have in America at this time two economies. One economy deals with the farm scene, where farmers like myself are sucking in our belts to the extent we are no longer engaging the other city economy, only when and were we must do so.

The internal policy should engage the EEC policy to the extent it removes present policy advantage of continued inroads into our share of the world grain market. The external policy must provide a buffer from the effects of current fluctuations. Farmers cannot absorb any further economic blows caused by the strong dollar.

What I am suggesting to you, gentlemen, is that perhaps a fourth alternative should be included at least in the discussions of agricultural policy. We have looked at agriculture in a simplistic way in recent years, and many things have changed. We have an internal-external policy rolled into one document whereby the effects of currency fluctuations are felt directly upon the farmer, as I discussed earlier.

It is time to think of agricultural policy in terms of an internal policy which relates to the American economic environment in which I as a farmer must engage, and it is also time to consider looking at an external agricultural policy which looks to the other countries of the world, and this external policy is integrated into their policies.

What I am suggesting is that we must consider developing a two-tier system and using some of the tax dollars that farmers are receiving in terms of set-aside payments, transition payments, deficiency payments, and whatnot to write down the price of our grain in the same way that some of our competitors do. If this is not done, the free market will continue to disappear from us, and other countries will continue to have a significant advantage.

Second, I would suggest that something needs to be done in terms of short-term policy which will stabilize the downward spiral of land prices and machinery and so forth.

I concur with the American Agriculture Institute in terms of its long-term sodbuster policy with a paid diversion. America must meet the GATT abuses on its own terms now. The development of a dual agricultural policy, internal and external, will defuse unfair competition and preserve and expand America's share of world market exports.

I guess a few comments in summary. I guess, as a farmer, and many of my friends concur with this—our agricultural budget is reflected as a $35 million a year budget. Upon analysis, about $14 billion of that comes back to agricultural programs, and the other half of its deals with food stamps, which we don't necessarily feel responsible for, and we would like to suggest that somebody move them over to Health and Human Services.

Beyond that, the practice of having commodity credit loans drawn in a given fiscal year, when in fact they may be paid back in the following year, is quite offensive, because it shows up as a net cost to the Government when in fact it has been, in all probability, or will be paid back.

Thank you for hearing these thoughts from me. I would like to entertain any questions.

[The prepared statement of Mr. Johnson appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Johnson, for a very worthwhile statement. We appreciate it very much.

Now we will hear Mrs. Sydney Beck of Pansey, AL, representing Women Involved in Farm Economics.

Mrs. Beck, we are delighted you are here, and we will certainly be glad to hear you.

STATEMENT OF SYDNEY BECK, NATIONAL PRESIDENT, WOMEN INVOLVED IN FARM ECONOMICS

Mrs. BECK. Thank you, Mr. Chairman.

Mr. Chairman and members of this committee, my name is Sydney Beck. I am a farm wife and farm partner from Pansey, AL. I am also national president of Women Involved in Farm Economics, representing farm wives from some 22 States.

Our organization appreciates the opportunity to appear before this committee, and we pledge to you our cooperation and participation as a new farm bill is developed. We believe very strongly that this will be the most important piece of legislation to come before Congress this year.

The economic health of agriculture is reflected throughout the rest of our economy, as history has proven many times, and it certainly is being reflected right now. The future structure is a concern, I believe, for all Americans that will be determined by this same farm bill.

Mr. Chairman, we have studied the administration's proposed farm bill, and to say that our members were unenthused about this "market-oriented path" would be the understatement of the year.

This proposal that was described as compassionate and orderly in its summary could also be described as sudden death to the independent family farmers of this Nation.

WIFE is a very positive organization, so I will just, in my most ladylike and positive way, say that we strongly oppose the bill and are proposing a more positive approach.

Mr. Chairman, I don't believe that I have to tell you, nor the members of this committee, how critical the situation is in agriculture today. I would like to impress upon you that it is serious nationwide, and not just for farmers and ranchers now—it has gone far beyond the farm gate—but also for small businessmen, agribusinesses, bankers, our rural towns—indeed, total communities—and, I believe, our whole economy.

We have all heard the terms "free market" and "market oriented" associated with farm policy, and I think all producers would agree to the concept that is perceived by these terms if they were possible or even probable in today's world economic situation and today's agricultural crisis.

Much of the economic instability facing us today, though, is brought about by macroeconomic factors and policies such as the value of the dollar, interest rates, and other monetary and trade policies. These are things over which producers have no control and very little ability to manage for. Many of these events themselves prevent a free market or prevent a producer from being able to be market-oriented and survive.

We recognize, also, the detriment that the Federal deficit plays on all Americans and certainly agriculture, and we realize the importance of reducing that deficit. However, agriculture is willing to do its share toward that reduction but cannot be expected to absorb any larger reduction than any other segment, and especially in light of the existing conditions today.

A thriving and healthy agriculture, we believe, is the very best thing that could happen to this Nation.

The foremost issue that must be addressed in this farm bill, we believe, is commodity prices. It is the bottom line for producers. Agriculture is carrying the $216 billion debt plus, probably by now, and facing the crisis that it is today because of low prices. No business can pay 1985 production costs and sell at 1940 prices and survive.

I think it is almost ironic that the farm debt almost parallels our budget deficit.

Policy must be made which will establish and protect a price recovery system for commodities in the marketplace that allows the opportunity for profit to the producer. Loan rates and target prices, a floor, must be established at no less than cost of production.

But along with that loan rate, there must be an adequate mechanism for balancing production with domestic and export consumption and a reasonable carryover. We feel the policy must be well defined, specifically outlined, and triggered to those above levels. To be effective, we also feel it should be based on units and contingent upon an annual review of the actual carryover stocks.

We oppose the caps proposed by the administration and feel they would make any reduced acreage program ineffective by eliminating the incentive for the larger producers to participate.

Recognizing our dependence on export markets, we urge a strong export title in the bill that will provide for expansion and development of long-term markets for producers and at prices above our cost of production.

With the economic recession being experienced in many countries and with our highly valued dollar, it is inconceivable that exports are going to solve the woes of agriculture. Increased exports at below our cost of production are not the answer. And if so, why did farm income decrease during the years we had such an increase in exports?

We have lost many export markets, but not because of our prices supports or anything to do with farm policy, but because of the high-valued dollar. If we are to regain any of those markets and if we are to reduce to prices to world levels to regain them, government must share the cost.

Producers cannot carry the burden alone. They cannot compete with the treasuries of other nations who subsidize their producers. They cannot compete with governments who must export and will do so at any price. They cannot produce at U.S. prices and sell on a world market.

We are strongly opposed to Government using agricultural products as a political tool in the imposition of embargoes, whether real or implied, and urge that strong embargo protection be included in this bill.

We support the farmer-held reserve and recommend that it be continued, only with reasonable levels that will not create a depressed market.

WIFE recognizes the importance of conservation of our most precious resource, our soil, and urges the committee to provide strong incentives that encourage and enable the U.S. farmer to use conservation practices and discourage the cultivation of fragile lands.

It is ironic that as agricultural surpluses mount and farmers and ranchers are forced to leave the land, that there are people starving and undernourished in the United States and the world. We support and encourage continuation of Public Law 480 and other programs. We feel these programs have proven to be effective in providing foreign assistance and, at the same time, developing long-term markets for U.S. producers.

We also support and encourage improvement and maintenance of the Food Stamp Program.

I realize that we all have a tremendous challenge before us as we develop this bill, considering, on the one hand, the severe crisis facing agricultural and rural America, and budget costs on the other.

However, I think we must also seriously consider the costs of the crisis that we are under, and those costs are tremendous. I suspect that those costs will far exceed any cost of any farm bill in history. I don't think anyone has really looked at the costs to society and ultimately to taxpayers. What are the costs of the farm failures, the bankruptcies, bank and other business failures resulting from farm losses? What are the costs of the lost jobs and the loss of tax revenues to our counties, States, and Federal treasuries?

I think we must also consider the social cost. You might say that the farm bill should not be concerned with social problems, but the situation we are facing is a social problem as well as an economic one.

The 1985 farm bill will address the social problems, for better or worse, and whether you intend to or not. It will determine the fate of farm families. It will determine whether this Nation has a family farm structured agriculture or otherwise. It will determine the survival or disappearance of rural towns and businesses across this Nation and, indeed, many urban industries and the well-being of those employees.

I feel that the cost of a good farm program will be nil against the above considerations. I don't believe, if properly designed and properly administered, that the farm bill would be as costly as we have seen in past years. Whatever the cost, though, I think it would be the best investment this country could make.

Mr. Chairman, I have just commented on some of the general portions of the farm bill without getting into any specific commodity issues. Our commodity chairwoman will present our recommendations on those in more specific details as your hearing process continues.

Thank you very much for the opportunity to express our views here today. We recognize the complexity of the situation and the tremendous task that you face. For the sake of farmers, the ranchers, and this Nation, we wish you well.

[The prepared statement of Mrs. Beck appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mrs. Beck. We do appreciate that very fine paper that you have delivered, and we will look forward to asking you some questions when the concluding witness has been heard.

Mr. James Wright Jackson, director of the National Pork Producers Council here in Washington, we are delighted that you are here, and you may proceed.

STATEMENT OF JAMES WRIGHT JACKSON, DIRECTOR, NATIONAL PORK PRODUCERS COUNCIL

Mr. JACKSON. Thank you, Mr. Chairman and members of the committee.

My name is James Wright Jackson. I am a member of the board of directors of the National Pork Producers Council. I represent the State of North Carolina. We have 38 directors from all over the Nation who are represented on our council.

My family and I, I might inject, run a family farm in eastern North Carolina. We grow 6,000 to 10,000 pigs a year, farm tobacco, cotton, Christmas trees, what have you.

The National Pork Producers Council, whom we represent today, is the largest commodity organization in the Nation with an identified membership. We represent about 315,000 family farmers.

Our organization wants to focus your attention upon the economic hardships now being suffered by these family farms and family farm system and to emphasize to you the importance of maintaining that system.

American agriculture has a major problem facing it today. It transcends the immediate seriousness of cash-flow difficulties many producers are experiencing. It is a loss of confidence in agriculture's future.

The long-range consequence of that represents a steady deterioration of farmland values threatening to slide into full-scale farm depression. If this occurs, there will be no segment of this Nation's economy that will escape the resulting economic fallout.

The National Pork Producers farm policy recommendations are outlined in detail in the written portion of our testimony which, with your permission, Mr. Chairman, will be submitted for the official committee record.

Our recommendations will focus on the needs of these 315,000 farm families and producers who continue to maintain hog operations in the face of high interest rates, unfair subsidized foreign competition, and sometimes conflicting governmental advice to customers on diet and nutrition.

We have always believed, and continue to believe, despite the 50-some years of legislation that has injected the Federal Government into the farm marketplace as its chief regulator, that farmers are likely to be more efficient, more productive, more competitive, and more profitable if we were simply just left alone.

The National Pork Producers Council does not come before you today to promote any new, revised commodity program that would call for our Government to help enhance the income of pork producers. We have not done that in the past, and as poor as our situation is today, we still do not propose to look for supports and subsidies.

The National Pork Producers Council is not an advocate of increased Government interventions or regulations in agriculture. We are concerned with minimizing the adverse impact of Government policies on our industry and all of agriculture and encouraging the unfettered interplay to supply and demand of factors that should ultimately determine profit and loss.

To put it simply, it seems to me and our task force that it is best, on behalf of pork producers and their profitability, if the Government that governs the least and, above all, spends the less.

Our organization supports the most free farm marketplace possible, but we realize that it is unrealistic to expect existing commodity support programs to simply vanish overnight. While we are skeptical about the beneficial impact of prevailing policies on many of our fellow producers which we know and we love, we support a reasonable transition that will move the present programs steadily in the direction of a competitive marketplace.

In our detailed summary, we will discuss the merits of free market system and the withdrawal of Government farm supports. We are aware that timing becomes the most critical factor in our fellow producers, many of whom have become financially dependent upon those Federal programs which exist.

There is another important element that must be addressed. Our Government must face up to the reality of the world marketplace as well by insisting that its trading partners recognize that free trade is not just a one-way proposition. The pork producers would like free trade, but we would like for it to be fair trade.

It will take some time and patience, but with careful deliberation and encouragement from this committee and from your counterparts in the Senate, we are confident that a reasonable solution to our present dilemma will be found and will help reestablish American agriculture as a real competitor in the world market, as we think it should be.

Mr. Chairman, we thank you for this opportunity to be heard on behalf of the Nation's pork producers and for permitting us to submit our committee's statement for the record on the 1985 farm bill.

Thank you, sir.

[The prepard statement of Mr. Jackson appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Jackson, for your statement.

Now, that concludes the witness list as far as my record shows. Is there anyone else here who would like to be heard?

[No response.]

Mr. JONES of Tennessee. If not, I would like to call members of the other panel back to the witness table and let the members of the committee question all of you at the same time.

Mr. Bob Gray had to leave. Mr. Norm Berg is here, Mr. Ken Cook, Mr. John Pender, Mr. Jackson, Mrs. Beck, and Mr. Johnson.

I want to advise the members of the Subcommittee on Conservation, Credit, and Rural Development that these same people, in most cases, will be appearing before our subcommittee at a later date, if you choose to question them then rather than today, or you may do both, whichever you please. At least I am sure that the conservation witnesses will be there, because we will be working with them in writing the soil and water conservation title to the farm bill.

Mr. Stenholm, you are recognized for 5 minutes for any questions.

Mr. STENHOLM. I would like to pose one question to the entire panel for, hopefully, a brief yes or no answer with just a little bit of editorial comment concerning conservation and its application to the 1985 farm bill, specifically, the sodbuster bill and the long-range conservation bill that is being touted by many people.

Do you support, oppose, and then any qualifying remarks that you might like to make briefly at this time.

Mr. JOHNSON. I would support it on this basis. The damage we are doing to posterity in terms of our fragile land is almost incalculable.

Second, the sophisticated tools are now available to incorporate into our ASCS offices in each county an index which would demonstrate the degree of slope on all of the hills and land that is farmed. That as a concern should be expressed by your committee as to whether or not certain criteria are met, such as a 4-percent slope for row crops without mitigating farm practices.

Mr. **Pender**. Bread for the World supports both a strong sodbuster bill and a Conservation Reserve Program. We think that those programs are important both for preservation of our agricultural resources and for world food security.

Mr. **Jackson**. Yes, sir. We support the sodbuster bill. The other question I will have to check on, to be honest with you.

Mrs. **Beck**. WIFE does support sodbuster legislation as well as the conservation policies.

Mr. **Cook**. Yes, I support the strong conservation reserve and sodbuster policies, as I think was pretty evident in my statement, sir.

Mr. **Berg**. Mr. Stenholm, based on your personal knowledge of the problems that we do face in many of the agricultural areas, and especially the Plains, we feel, in the Soil Conservation Society, that the sodbuster bill, the strongest possible provision of that should be enacted.

In my view, if we had had this 10 years ago, it would have helped on many of the problems that we are now facing.

Incidentally, there is a large group of people out here that would speak likewise. I sit on the executive committee of the Natural Resources Council of America. There are 52 organizations that represent conservation, forestry, range, wildlife concerns, water quality, and we have had a task force that has put together some ideas, and this is one of the strong points.

The conservation reserve, obviously, is also very badly needed because these acres, at least 30 million, are now in the system. We just cannot cast them aside. These people do qualify for the programs that are available. Unfortunately, that land, being what it is, is not needed presently for production. It is producing high volumes of sediment. There are concerns off site.

I mentioned the Conservation Foundation's study that will be coming out here in May relating very, very substantial damages off site that are running into the billions.

I think we would gain immensely in terms of some of the public investments that could be saved in that regard by looking at some of this opportunity now that is available.

Mr. **Stenholm**. Thank you, Mr. Chairman.

In the interest of time, I will withhold other questions at this time.

Mr. **Jones** of Tennessee. Thank you, Mr. Stenholm.

Now the Chair yields to Mr. Evans for 5 minutes for questions.

Mr. **Evans** of Iowa. Thank you, Mr. Chairman.

I know that we will be talking more about the conservation reserve, but I did want to raise one issue today that you might be thinking about in the meantime.

All of the talk is focused on fragile soils from the standpoint of soil erosion. In my part of the country, there is considerable concern about a somewhat different problem that maybe does or does not fit in this, and that has to do with the problem that evolves from very thin soils overlying highly fractured limestone strata, sinkhole-type country, a real problem with the pollution of aquifers from row crop farming practices on land of that kind.

It has been suggested to me several times recently that perhaps soils in situations of that kind should also be included in the types of fragile soils that are eligible for this program.

I don't know whether you are prepared to comment on that today, but if you are, fine. If you want to do it later when you come before the subcommittee, that will be fine, but I did want to raise that subject with you.

Mr. COOK. I am familiar with that kind of topography, Mr. Evans. It is a very difficult problem as long as that land is used for intensive crop production and pesticides are used, and nitrogen fertilizers in particular.

We haven't given much thought to extending the conservation reserve to deal with problems like that. I don't know if we have a very good way of figuring how many acres we would be talking about there, and I am not sure that you would, unless you retired almost all of it.

Depending on the situation, of course, you might not find that you were solving a groundwater problem. Unless you really took almost all of that land in the area out of production, you might still have a severe problem. But we will look at it.

Mr. EVANS of Iowa. Thank you.

Mr. BERG. Mr. Evans, could I reply just briefly? The 1981 farm bill, as I mentioned in my testimony, had some excellent conservation features that came from some very good work that was leading at that time to an RCA program that came to the Hill about 2 years after that and was very slim in terms of answering some of these tough problems.

But that special areas provision in that title, title 15, was an attempt to address the kinds of problems that are unique that particular part of the country. We had examples in the history of that legislation that I think would allow a combination of many, many things that are in place, plus some innovative things that need to be done to address that kind of problem.

Mr. EVANS of Iowa. Thank you.

Mr. JONES of Tennessee. Thank you very much, Mr. Evans.

Mr. Volkmer.

Mr. VOLKMER. I would just like to continue on just a little bit on that, and then I have another question for Mr. Jackson.

In soil conservation, where we have limited funds—and we are going to have limited funds—do you think it is better policy to try to target to the funds to the areas where you have the higher rates of runoff, et cetera, or wind, than to just send it out all over and spread it out?

Mr. BERG. Yes, Mr. Volkmer. I firmly believe in targeting the limited resources. I do have concern that we have a delivery system in every part of the country, because it is a highly diverse country in terms of the resources that are available, the conditions you have to deal with.

The early thought in the RCA process would have been to target with additional resources from some sources. The non-Federal resources are building very, very fine in this country, have been for the last 15 years, and those need to be encouraged.

Now, this year's budget, as proposed for next year's operation in the conservation programs of the Department, is going to send a signal to the non-Federal governments that I think are wrong.

The targeting effort has begun to pay off in those areas that have got additional assistance. We have had targeting in the conservation programs from the beginning.

The additional authorities that came to the department for watershed protection, for the Great Plains conservation area, for the resource conservation development projects, for the rural clean water projects, were attempts to get at some additional problems that have developed in the last 50 years.

I think we have got some special conditions now that need to be met. The combination of resources here as to how best to do it is still ahead.

Mr. Volkmer. I agree. I know, back in my home State of Missouri, that people, when they heard about the budget proposal from the administration, were quite upset, because just last year we had voted a tax in the State of Missouri for conservation, and then they see everything going the other way.

Maybe that will not happen. I am sure we will retain the funds. As one of those States where we have had targeted application, we think it has done very well in stopping erosion.

Mr. Berg. Mr. Chairman, just briefly on this, I sit on a conservation district governing board in Maryland just alongside the bay. I have had that opportunity to be on the other side of the table after working for 40 years in the Department of Agriculture.

We have one Soil Conservation Service employee. We have four of our own that come from other sources. We highly commend what you are doing in Missouri. I think the Federal Government, in terms of withdrawing the very, very slim resources that are now available in terms of buying power, is sending a very, very bad signal to the non-Federal governments and the private sector.

Mr. Volkmer. Mr. Jackson, I notice in reviewing your testimony that there is one thing, as you know, that I am quite interested in. My pork producers right now, every time I go back out to my district, they are not yelling any longer about the PIK Program. They did, you know, for a while because of the cost to them, and of course, you can understand that. I can, anyway.

But it is Canadian pork that is bothering them. I notice you mentioned in here the question of other countries' subsidies. As you know, we are going to have a hearing, hopefully, April 3, on that.

Do you feel, honestly, that the administration, seeing this, is really interested in trying to do something to make it more fair for our producers, or are they more interested in holding down pork prices here in the United States?

Mr. Jackson. Congressman, you know it is the policy of all administrations, saying that they want cheap food for the consumer—that's the No. 1 people. They're the people that put the ballot in the box.

We are, as pork producers, really concerned about the fact that we cannot be competitive. As efficient as we might produce a product, whether it is pork or whether it is milk or whatever it is, as producers, that we have got to compete with a government that is subsidizing in all the provinces, and then we've got some provinces in there that are triple subsidizing. That is the information we have.

We would surely hope that if we are going to be asked to produce at a world market or at a free market, it will be fair, and the only way it can be fair is either we are going to have to receive a like subsidy to be fair, or theirs is going to have to have duties put on it.

Mr. VOLKMER. I agree with you completely, because there is no question about what has been going on. It has been very unfair.

But I have come to the conclusion that they are letting it continue solely because of the cheap food. What bothers me is that it is costing our pork producers every day, and it is costing my pork producers.

Mr. JACKSON. It surely is. It is costing all pork producers and beef producers and poultry producers, too, because it is all red meat.

Mr. VOLKMER. Right.

Mr. JACKSON. We say, well, how many is it? The figure that we have is 1.3 million. Our State of North Carolina is seventh in swine production in the United States. That is half as many hogs as we grow.

Mr. VOLKMER. It is taking money right out of your pocket and sending it to the farmers up in Canada.

Mr. JACKSON. Yes, sir.

Mr. VOLKMER. That is just what it is doing.

Thank you, Mr. Chairman.

Mr. JONES of Tennessee. Thank you very much, Mr. Volkmer.

Now the Chair recognizes Mr. Stenholm for a question.

Mr. STENHOLM. I thank you, Mr. Chairman.

One additional question to you, Mrs. Beck, and to anyone else who might want to respond, also.

Most of the testimony that we are hearing now, either today or yesterday or at the many field hearings, is coming down on the side of a market-oriented loan, differing formulas, 75 percent of the world market price, et cetera. You testified to 75 percent of parity or cost of production on domestic and export consumption.

My question that I pose to all today who advocate just that is to try to answer a question that I have as to what is going to keep us from becoming the Saudi Arabians of OPEC in the food production business? OPEC, and the Saudis in particular, have attempted to stabilize oil prices.

They started trying to do this at $44 a barrel. They made a major effort at $35 a barrel. They are now trying to do it at $27.50 a barrel. The Saudis, which I equate the United States to in the food production business, in the oil business, and particularly in OPEC, they started at 10 million barrels a day. They are now at 4 million barrels a day, trying to balance supply and demand in order to maintain a market price dictated by a cartel rather than by the, quote, market.

What is there that is different about wheat and cotton and feed grains that is not going to have that same effect on us were we to peg our market price at 75 percent of parity, with a set-aside, I would assume, mandatorily imposed, to balance supply and demand? What is going to cause us from really being the Saudi Arabians of the food industry with that proposal?

Mrs. **Beck**. I don't know. Perhaps we could have a—I think someone this morning—it may have been you—mentioned some programs on the export end of it to make us more competitive. I guess what we are saying is that we cannot carry—if we want to stay in the market, that the farmer should not—he cannot—carry all the cost of that competition, that we would certainly be willing to look at some proposals that would carry a different thing on exports.

Our position is just that if I can't make a profit on it, it doesn't make much sense for me to produce it just for the sake of hanging in there. In fact, I wouldn't be able to for very long.

Mr. **Stenholm**. I totally agree with you on that observation.

Mrs. **Beck**. I am a peanut producer, and I think we have a good program in peanuts in dealing with the two-price system. I think it would be a nightmare—USDA would probably blow sky high if we tried to implement that type of thing for all commodities, but it is certainly worth——

Mr. **Stenholm**. You have a problem with some of the folk at the table around you with the two-price system, too.

Mrs. **Beck**. It would be a nightmare to administer, I realize that, but it has worked well for us.

Mr. **Johnson**. Congressman Stenholm, a comment on the conservation issue first, that if we are going to make it restrictive for fragile lands, there will also have to be some kind of a transition program for those farmers that live on those fragile lands. If we are going to disrupt their way of life by prohibiting certain things, they are impacted.

On the second issue, would we become the Saudi Arabia in terms of a write-down of the price and the quantity, I guess I would question whether they are analogous, because the United States went on a very deliberate effort to reduce its consumption of petroleum products, and has. I don't know that the world is on any deliberate effort to reduce the amount of feed grains, livestock, meat products, et cetera, that it is using. It is probably expanding rather rapidly.

The real question seems to me to come down to the relationship of economics, of the price or the peg in this country, versus what the price will be in the free world if we remove that peg.

Many people argue that our peg prices have influenced the development of much new land in this world of ours, and probably it has. I would submit that the strong dollar has caused that development, simply because with a 200-percent dollar today versus a 100-percent dollar in 1980, the price of corn to a competitor of ours is not $2.50 but $5, and $10 soybeans. I guess, in America, if you turned loose American farming today and said we will give you $5 a bushel, I would guarantee you 12 billion bushels next fall.

So those are the dynamics of what we are going to do as we go forward.

Mr. **Stenholm**. Very good point. That is a very, very good point. If you have $5 a bushel and unlimited production, we could fill up every bin and cave in the country. On the other hand, we have got the problem of trying to live with the limitation of payments issue, and if we go to a mandatory program, how do we force people into a program and then deny them the benefits of the program? It is a question we have got to resolve.

Mr. **Johnson**. Yes. I think, Mr. Stenholm, to respond to that, I agree with that completely, and this is my point in suggesting that as we become more complex in terms of developing policy, it can no longer be a simplistic policy that relates both to external problems and internal problems. They have to be clearly defined into two issues, because what is good for one is not good for the other.

Mr. **Stenholm**. Thank you, Mr. Chairman.

Mr. **Jones** of Tennessee. Is there any more questioning from members of the committee?

If not, as I said, I will withhold any questions until the subcommittee meets at a later date.

These are the final witnesses for full committee hearings concerning the 1985 farm bill. From here on out, it will be subcommittee hearings altogether, and there are a number of those that are scheduled here in Washington and also in the field.

If you have not had your say, or if it changes later and you have something else you want to say to this committee you may do so to one of the subcommittees as you will notice their meeting schedules.

I know that our subcommittee, Mr. Stenholm, Mr. Evans--we are the only three that are here now—the Conservation, Credit, and Rural Development Subcommittee has a number of hearings that we will be conducting both here in Washington and out in the country.

I want to thank all of you today for being here, and I am sure I am speaking for Chairman de la Garza, also. I do want to emphasize one thing that has been profound today. I did not hear all the testimony this morning, but I have scanned it already. There has been a tremendous change in the testimony that has been heard in the proposals for the new farm bill, over what we heard regarding the 1981 farm bill. More and more of the individuals, the association and farm groups that have been heard here have stressed the need for conservation of the soil more than ever before since I have been a member of the Agriculture Committee.

I am elated over what has been said today. Most every panel that has been before us has had something to say in that regard.

Now, we have problems with some of it. We have money problems and we have to come to an agreement as to how many million acres we are talking about. We may have to not only depend on the Federal Government from here on out, but we may have to do like my good friend on my left here, Mr. Evans, from the State of Iowa, does, and that is look to our States for some help, also. They have a very good program in the State of Iowa. They have a very serious erosion problem there, but they do something about it, also, as do some of the other States, Mr. Berg, as you quite well know.

But I do want to thank all of you for being here today. The committee stands adjourned until the call of the Chair.

[Whereupon, at 3:45 p.m., the committee recessed, to reconvene at the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF HONORABLE CHARLES W. STENHOLM
HOUSE COMMITTEE ON AGRICULTURE
MARCH 21, 1985

MR. CHAIRMAN AND MY DISTINGUISHED COLLEAGUES, I APPRECIATE THE OPPORTUNITY TO COME BEFORE YOU TODAY -- NOT TO TELL YOU HOW BAD THE SITUATION IS ON THE FARM, FOR WE ARE ALL PAINFULLY AWARE OF THAT -- BUT TO OFFER CONSTRUCTIVE CRITICISM OF THE ADMINISTRATION'S FARM BILL AND TO OUTLINE MY OWN IDEAS FOR NEW FARM LEGISLATION. I AM A FIRM BELIEVER IN THE OLD ADAGE, "DON'T CRITICIZE IT UNLESS YOU HAVE A BETTER SOLUTION." GENTLEMEN, I DO BELIEVE I HAVE JUST SUCH A PLAN.

BUT FIRST, I WOULD LIKE TO EXERCISE MY PREROGATIVE TO CRITICIZE THE ADMINISTRATION'S PROPOSAL.

AS ONE OF THE CHIEF SPONSORS OF THE BALANCED BUDGET AMENDMENT, I APPLAUD THE ADMINISTRATION'S EFFORTS TO REDUCE THE DEFICIT. AGRICULTURE IS PROBABLY AFFECTED MORE BY TWO MACROECONOMIC CONDITIONS THAN BY ANY FARM PROGRAM: THOSE TWO WICKED SISTERS -- HIGH REAL INTEREST RATES AND OUR STRONG DOLLAR -- ARE DIRECTLY INFLUENCED BY THAT ELUSIVE MONSTER, THE BUDGET DEFICIT, WHICH, THEREFORE, MUST BE CAPTURED AND EVENTUALLY SLAYED.

HOWEVER, I DON'T BELIEVE IT PRUDENT TO CUT FARM PROGRAM SPENDING BY 50% FROM FY 85 BASELINE LEVELS OVER THE NEXT THREE YEARS, WHILE OTHER ENTITLEMENT PROGRAMS AND DEFENSE SPENDING AREN'T EVEN BEING FROZEN. ACCORDING TO THE PRESIDENT'S FY 86 BUDGET, 12% OF HIS SCHEDULED CUTS WILL COME FROM FARM PROGRAMS, WHICH COMPRISE ONLY 1.8% OF THE TOTAL BUDGET. IF ALL FEDERAL PROGRAMS WERE SLATED TO SHARE EQUAL CUTS, I MIGHT BE AMENABLE TO THIS PLAN. BUT THE SAD TRUTH IS THAT SOME PROGRAMS WON'T BE CUT AT ALL, AND AT THE END OF THIS THREE-YEAR PERIOD, WE WILL STILL BE FACING A $144 BILLION DEFICIT ACCORDING TO DAVID STOCKMAN'S OWN NUMBERS.

SECRETARY BLOCK TESTIFIED BEFORE THIS COMMITTEE JUST YESTERDAY THAT

UNDER HIS PLAN, FARM INCOME WOULD BE REDUCED BY SOME 20% OVER THE NEXT TWO YEARS. THAT'S QUITE A BLOW FOR AN INDUSTRY THAT'S ALREADY ON ITS KNEES. THIS WOULD BE SIMILAR TO A DOCTOR TELLING A GROUP OF VERY SICK PEOPLE THAT THEIR BEST CURE WOULD BE TO RUN 50 MILES AS FAST AS THEY COULD. OF COURSE, THE VERY STRONGEST OF THE GROUP WOULD SURVIVE THE ORDEAL, BUT YOU COULD BET LIFE INSURANCE COMPANIES WOULD LOSE SOME MONEY IN THE LONG RUN.

DO NOT MISUNDERSTAND ME. THE ANSWERS TO OUR AGRICULTURAL PROBLEMS LIE NOT IN INCREASING FEDERAL OUTLAYS TO FARMERS, BUT IN LONG-TERM REFORMS THAT WILL INCREASE FARM PROFITABILITY THROUGH THE MARKETPLACE. IN FACT, I PROPOSE WE CAN FREEZE FARM PROGRAM SPENDING AT FY 85 BASELINE LEVELS FOR THE NEXT THREE YEARS, AND CUT SPENDING BY FIVE TO TWENTY PERCENT FROM THAT LEVEL. MY FARM BILL PROPOSAL WILL ALLOW SUCH REDUCTIONS WHILE PROTECTING FARM INCOME.

HENCE, THE CRITICISM; NOW FOR THE CONSTRUCTIVE PART. I AM AWARE OF MY LIMITED TIME, SO I WILL BE VERY BRIEF.

ALMOST EVERYONE AGREES FARMERS WOULD PREFER TO MAKE A PROFIT THROUGH THE MARKETPLACE, BUT EACH GROUP SEEMS TO HAVE THEIR OWN ROADMAP ON HOW TO GET TO THAT POINT. THE ADMINISTRATION HAS CHOSEN TO TAKE THE SHORTCUT -- BUT THEY DON'T KNOW THERE'S A BRIDGE OUT ALONG THAT ROUTE AND WE'LL BE TRAVELLING 110 M.P.H.

AS WE TRAVEL TOWARDS MARKET-ORIENTED PROGRAMS, WE MUST CHOOSE THE SAFEST ROUTE AND PROCEED AT A REASONABLE SPEED SO WE CAN WATCH FOR THOSE UNEXPECTED ROAD HAZARDS. IN OTHER WORDS, WE MUST MAINTAIN A SAFETY NET IN FARM PROGRAMS. GIVEN OUR GOAL OF REDUCING THE DEFICIT, WE MUST DERIVE THE GREATEST POSSIBLE BENEFIT FROM EVERY FEDERAL DOLLAR SPENT. PROGRAM BENEFITS SHOULD BE TARGETED TO THOSE WHO NEED THEM THE MOST -- THE MID-SIZED FARMER PRODUCING BETWEEN $40,000 AND $200,000 ANNUALLY. WE SHOULD DO THIS

BY ALLOWING FARM PROGRAM BENEFITS ONLY ON THE FIRST $200,000 OF A MAN'S GROSS PRODUCTION.

BUT THEN WE RUN INTO THE QUESTION OVER THE PAYMENT LIMITATION: "WITH 12% OF THE PRODUCERS GROWING 70% OF ALL FARM PRODUCTS, HOW CAN WE EFFECTIVELY MANAGE SUPPLY WITHOUT GETTING THEM INTO THE PROGRAM?"

MY PROPOSAL ADDRESSES THIS QUESTION BY USING BOTH THE CARROT AND THE STICK. FIRST, A CARROT IS OFFERED TO ANY PRODUCER GROWING OVER $200,000 OF FARM PRODUCTS BY ALLOWING HIM INTO THE PROGRAM WITHOUT HAVING TO REDUCE THOSE PLANTINGS WHICH EXCEED $200,000, PROVIDED, HE DOES NOT EXCEED HIS BASE PLANTINGS ON THAT EXCESS PORTION. (BASE PLANTINGS WOULD BE DEFINED BY MY BASES AND YIELDS REFORM LEGISLATION, ASSUMING ITS ENACTMENT AS PART OF THIS PACKAGE.)

SECONDLY, LOAN RATES WILL BE REDUCED TO 75% OF THE AVERAGE MARKET PRICE OVER THE LAST FIVE YEARS, MINUS THE HIGH AND LOW YEARS. AS LONG AS ADEQUATE PRICE PROTECTION IS MAINTAINED FOR PARTICIPATING FARMERS, CUTTING LOAN RATES WILL DROP MARKET PRICES IN THE SHORT RUN TO A LEVEL WHERE EVEN THE LARGEST FARMERS COULDN'T AFFORD TO STAY OUT OF THESE PROGRAMS, THUS THE STICK. ONCE THEY ARE IN, SUPPLIES WILL BE MORE EFFECTIVELY MANAGED AND MARKET PRICES WILL RISE.

WHICH BRINGS ME TO MY NEXT POINT. THE AMERICAN FARMER SHOULD BE ABLE TO SELL THAT PORTION OF HIS PRODUCTION WHICH WILL BE CONSUMED IN THE U.S. AT A "FAIR PRICE." BUT, BY THE SAME TOKEN, THE AMERICAN TAXPAYER SHOULD NOT BE HELD RESPONSIBLE FOR GUARANTEEING A "FAIR PRICE" FOR PRODUCTION IN EXCESS OF THAT AMOUNT. WHY SHOULD WE CONTINUE SUBSIDIZING FARMERS TO PRODUCE MORE THAN WE AS A NATION CAN CONSUME?

IN RESPONSE TO THAT QUESTION, I PROPOSE WE LIMIT TARGET PRICE PROTECTION AND NONRECOURSE LOAN BENEFITS TO 50% OF EACH FARMER'S PRODUCTION THAT FALLS WITHIN THAT $200,000 FIGURE. TARGET PRICES WOULD THEN BE BASED ON

COSTS OF PRODUCTION INCLUDING RETURNS TO LAND AND WOULD BE HIGHER THAN CURRENT TARGETS. PRODUCTION IN EXCESS OF THE FIRST 50% OF THE GROSS MARKETINGS WITHIN THE $200,000 FIGURE, AND THAT WHICH EXCEEDS THE $200,000 FIGURE, WILL RECEIVE FULL RECOURSE LOANS AND NO TARGET PRICE PROTECTION.

WE MUST RE-EXAMINE THE ENTITLEMENT STATUS OF NONRECOURSE LOANS AND CONSIDER ESTABLISHING A REVOLVING COMMODITY CREDIT CORPORATION FUND THAT WOULD NOT REQUIRE ANNUAL APPROPRIATIONS. WE SHOULD ALSO CAP THE FARMER OWNED RESERVE BY PLACING LIMITS BOTH ON THE TOTAL SIZE OF THE RESERVE AND ON THE AMOUNT ANY FARMER MAY ENTER INTO IT IN ANY YEAR. ALL OF THESE IDEAS WILL HELP TO REDUCE BUDGET EXPOSURE WHILE STILL PROVIDING ADEQUATE INCOME PROTECTION ON COMMODITIES PRODUCED FOR U.S. CONSUMPTION.

EARLIER, I ASKED THE QUESTION, "WHY SHOULD WE CONTINUE SUBSIDIZING FARMERS TO PRODUCE MORE THAN WE AS A NATION CAN CONSUME?" ALTHOUGH THAT IS A DIFFICULT QUESTION, THERE ARE SOME LEGITIMATE ANSWERS IN LIGHT OF CURRENT INTERNATIONAL ECONOMIC CONDITIONS. INDEED, MANY OF OUR COMPETITORS PRACTICE EXPORT SUBSIDIES IN ONE FORM OR ANOTHER; THE STRENGTH OF OUR DOLLAR PROVIDES AN UNFAIR PRICE SHELTER FOR OUR COMPETITORS; AND, MOST IMPORTANTLY, EXPORTS ARE EXTREMELY VALUABLE TO OUR WHOLE ECONOMY, PROVIDING THE LARGEST POSITIVE TRADE BALANCE OF ANY U.S. INDUSTRY.

WE CANNOT TALK ABOUT MARKET-ORIENTED SUPPLY MANAGEMENT UNLESS THERE IS A MARKET OUT THERE FOR OUR PRODUCTS. IN FACT, I DEFINE THE PHRASE "MARKET-ORIENTED SUPPLY MANAGEMENT" AS BEING A COMBINATION OF SHORT-TERM CONSERVATION MANAGED BY SUPPLY TRIGGERS AND A SERIES OF EXPORT STIMULATION PROGRAMS. WE MUST NOT BE LULLED AGAIN INTO BELIEVING WE CAN RAISE OUR PRICES WITHIN THE U.S. THROUGH PRODUCTION CUTBACKS ALONE WITHOUT LOSING EXPORT SALES TO OUR COMPETITORS WHO BOOST THEIR PRODUCTION WHEN THEY SEE US CUTTING BACK. LET'S HEED THE LESSON TO BE LEARNED BY THE FAILURE OF OPEC IN ITS ATTEMPT TO CONTROL WORLD OIL PRICES.

So what can we do to enhance exports? Without a doubt, by lowering loan rates, we will become more competitive in export markets. But I propose to carry export promotion programs a step further than that. By eliminating deficiency payments on export production, not only will we put ourselves in a better position for negotiating to reduce others' export subsidies; we will also be saving some money that should be put into export promotion programs should these negotiations fail.

One billion dollars should be authorized for such a fund to maintain our share of the world market. Hopefully, the money would never have to be expended; theoretically, the simple knowledge that the fund will be tapped should negotiations fail will draw our competitors to the table for some serious talks on trade subsidies.

In addition to this export credit fund, my proposal calls for granting the Secretary the authority to utilize excess CCC stocks in an export PIK program if necessary to offset competitors' subsidies and the inequity created by the strong dollar. Perhaps, we will be able to keep the merchant marine industry from applying their cargo preference regulations to this program too, and I strongly believe these regulations should be repealed on all government-subsidized commodity shipments.

However, until prices are strengthened through a change in macroeconomic conditions, farmers would actually be better off parking a few of their tractors and only producing for the domestic market. But in any case, we must protect our resource base to retain our capacity to feed the world should we ever be called on to do so.

My proposal strengthens sodbuster legislation deliberated in the last Congress by denying federal crop insurance, Farmers Home Administration and other federal farm program benefits to sodbusting producers. A long-term conservation reserve will be implemented by offering incentives to

PRODUCERS FOR TAKING FRAGILE LAND OUT OF PRODUCTION FOR EXTENDED PERIODS.

IN SUMMARY, WITH THE MANY DIFFERENT FARM GROUPS WE HAVE SEEN COMING TO TOWN OVER THE PAST SEVERAL WEEKS, WITH ALL THEIR DIFFERENT IDEAS ABOUT FARM PROGRAMS, THE ONE POINT UPON WHICH THEY GENERALLY AGREE IS THAT CURRENT POLICY "JUST AIN'T WORKING."

GENTLEMEN, WE FACE A TREMENDOUS CHALLENGE AT A VERY CRUCIAL TIME FOR AMERICAN AGRICULTURE. WE MUST LOOK IN NEW DIRECTIONS FOR ANSWERS THAT WILL ALLOW LONG-TERM PROSPERITY TO RETURN TO AGRICULTURE THROUGH THE MARKETPLACE. BUT IF WE ALL WORK TOGETHER, I BELIEVE WE CAN ACCOMPLISH THIS GOAL.

EVEN THOUGH I DO NOT SEE THE LIGHT OUT THERE AT THE END OF THE TUNNEL FOR AMERICA'S FARMERS, I WILL NOT GIVE UP UNTIL WE HAVE FOUND THAT LIGHT. THESE IDEAS REPRESENT WHAT I BELIEVE WILL BE A VIABLE, NEW DIRECTION FOR AGRICULTURAL POLICY THAT COULD FULFILL THIS OBJECTIVE AT MINIMAL COST. AND I LOOK FORWARD TO FURTHER DISCUSSING THEM WITH YOU.

THANK YOU FOR YOUR TIME.

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION BEFORE THE HOUSE AGRICULTURE COMMITTEE WITH REGARD TO THE 1985 AGRICULTURAL POLICIES

Presented by
Robert B. Delano, President, American Farm Bureau Federation

March 21, 1985

The American Farm Bureau Federation is the nation's largest general farm organization with a membership exceeding three million member families in 48 states and Puerto Rico. I appreciate the opportunity to appear before the Senate Agriculture Committee to outline our position regarding the 1985 omnibus farm legislation that will replace the Agriculture and Food Act of 1981 when it expires this year.

The 1985 Farm Bill is a priority issue for Farm Bureau. Our farmer and rancher members produce virtually every type of commodity grown on a commercial basis in this country; those directly affected by farm programs and those that do not come under the authority of this legislation.

The policies that our membership adopted at our 66th Annual Meeting in January are the result of extensive deliberation at the county, state and national levels of our organization. Our Board of Directors has held two meetings since our House of Delegates adopted our 1985 policies and has developed the framework of a legislative proposal for a farm bill.

We believe that sound farm policy must be based on letting market forces provide incentives between producers and consumers. It is imperative that farm programs adjust to the signals from the marketplace while giving assistance for orderly marketing, income supplement, production adjustment and export market share expansion as we move back to the market system for U.S. agriculture.

We recognize that farm program policy and legislation will not improve all of the conditions that have exerted a negative impact upon agriculture in recent years.

The prescription for fundamental and lasting benefits for agriculture is dependent upon a commitment to fiscal responsibility and reduced overall federal spending in order to promote economic growth through lower interest rates more favorable exchange rates, and increase U.S. farm exports.

Therefore, Farm Bureau proposes policy actions in all issue areas that will allow producers the opportunity for profit in agriculture. Improving net farm income is Farm Bureau's most important goal.

Farm Bureau policy adopted by voting delegates states:

"We support a farm program which will:

(1) Maximize long-term opportunities for profit in agriculture;
(2) Reduce existing incentives for overproduction at home and abroad;
(3) Ensure price competitiveness for U.S. farm products in world markets;
(4) Provide opportunities to reduce stocks through production adjustments and/or expanded demand;
(5) Assure consumers of adequate supplies of efficiently produced products they wish to comsume;
(6) Cause a supply reduction program to be implemented when carryover exceeds workable levels;
(7) Provide target prices as an income supplement for farmers to help them make the adjustment to a market-responsive agriculture;
(8) Provide loan levels for all major export commodities to facilitate orderly marketing and price competitiveness. These levels should be related to a 3-5 year average domestic price. Loan levels should not provide incentives for production that exceeds demand in domestic and world markets. These levels should be adjusted annually by no more than 10 percent; and
(9) Recognize that all commodities are interrelated and any change in supply, demand or price of one affects the others."

These principles provide the guidelines and are the basis for our specific recommendations for future legislation.

(1) EXPORTS: Mr. Chairman, I would like to begin these remarks by commenting on agricultural exports because of their importance to improved farm income. I am Vice Chairman of the Agricultural Trade and Export Policy Commission. That Commission has had several meetings at which we have discussed the seriousness of the current export situation now facing American farmers and ranchers. It is much easier to define the problems facing us in world markets than to find feasible solutions to those problems. Nevertheless, we hope to develop some workable means to address some of our export problems as the Commission's work moves along and to furnish our recommendations to this and other committees of the Congress.

In the meantime, I would like to share with you some thoughts regarding certain ways that some of the problems facing us in world markets might be addressed in a practical manner.

Two traditional ways of enhancing exports have been through the judicious use of CCC export credits and through the use of the PL 480 or Food for Peace Program. These programs should be continued and improved. As a member of the Carlucci Commission on Foreign Assistance last year, I recommended that PL 480 export tonnages be doubled over present levels and that multi-year funding be made available to PL 480 recipient countries. In view of the need for food, which has been made worse by the African political and famine situation, I believe that a much stronger PL 480 program is justified and will lead to better U.S. cash markets as economic development improves in recipient countries.

Regarding CCC export credits, it is regrettable that the CCC credit revolving fund, which was part of the 1981 Farm Bill, was never funded and activated. There are still valid reasons for incorporating the revolving fund in the 1985 Farm Bill with funding made available to make it an effective export tool.

An intermediate CCC export credit program is needed to take care of export credit needs for terms of 3-7 years as provided for in the Agricultural Trade Act of 1978. This legislation should be more fully utilized.

The blended credit program, which unfortunately has been saddled with the requirements of the cargo preference law, needs to be made a part of new farm legislation with an exemption from cargo preference. As a matter of fact, all agricultural exports should be exempted from cargo preference requirements whether commercial or government assisted. There are other ways of financing a strong merchant marine without harming agricultural exports. We should not reduce our farm exports in our efforts to have a stronger American flag fleet. Farm Bureau will strongly support legislation to exempt agricultural commodities and products from the cargo preference law.

There may be some barter opportunities with some countries that need food and have oil or other materials or commodities that we need. We should not foreclose any such opportunities, but rather should seek ways to gain exports where such possibilities exist.

Regarding trade negotiations, we must give our trade negotiators the tools they need and our strong support to gain better market access and to resolve outstanding unfair trade practices such as export subsidies, which have eroded U.S. overseas' markets. In this respect, we would support what might be called a "bonus" export program.

Under such a program, "bonus" tonnage of farm commodities and products would be made available from federal farmer-held reserve stocks and CCC owned commodity stocks to lower U.S. export prices to offset the advantage of competing countries which subsidize their exports.

Mr. Chairman, these are some recommendations that we would like to see examined and considered by this committee as the export title of the 1985 Farm Bill is written.

I believe that in previous legislation the production side of the equation has been given more attention than the export side. In the new Farm Bill, we need to focus strongly on the export title.

U.S. farmers are tired of taking most of the world's agricultural production adjustments while competing countries expand their production and export market share. We must be more aggressive in export markets. This will require the devotion of considerable resources to exports, but it will be cheaper in the long run than expensive acreage reduction and storage programs.

(2) LOAN RATES: We support loan rates that are tied to a 3-5 year average of market prices for the basic export commodities--wheat, feed grains, cotton, rice and soybeans. This recommendation recognizes the general success of the price support loan programs for both soybeans and cotton and suggests that the concept should be extended to include wheat, feed grains and rice. We believe, however, that loan rates should not be adjusted by more than 10 percent in any year.

We need to adopt this kind of flexibility in establishing loan levels so that major export commodities can adjust to world supply and demand conditions. Since the domestic market is growing very little, we must sell on the world market if agriculture is to continue to grow. Adjusting our loan levels according to market conditions is the first policy step to insure competitiveness in world markets. It provides a degree of uncertainty to our competitors and indicates that the U.S. will not continue with farm programs that subsidize farm and export subsidy programs of our competitors.

(3) TARGET PRICES: Farm Bureau supports the use of target prices in the manner in which this policy was originally included in farm programs--as an income supplement to farmers. We support continued reliance on target prices and deficiency payments throughout the four years of our Farm Bill. We propose to freeze target prices for 1986 at the 1985 levels. In 1987 we would tie the target prices to a percentage of the average market price used to determine the loan rate. However, target price adjustment would be limited to no more than 5 percent in a given year.

This method of target price adjustment provides a transition period for producers. Freezing the target prices for a year will allow a brief opportunity for export programs to begin to function so that producers can evaluate the market conditions for the 1987 crops. Adjustments that might occur can be affected in an orderly manner.

We would support a $50,000 limitation that would apply to deficiency payments only. We believe that any land diversion payment should not be included in the payment limitation. Large producers should not be discouraged from program participation, which is necessary in meeting the objectives of reducing production.

(4) ACREAGE REDUCTION PROGRAMS: We believe that acreage reduction programs should be required when carryover supplies are excessive. Much of the political pressure that accompanies discretionary authority for acreage reduction programs can be avoided by using specific levels of carryover supplies to trigger the requirement for an acreage reduction program.

(5) FARMER-HELD GRAIN RESERVE: We favor the elimination of the farmer-held grain reserve. Rather than being the orderly marketing tool that it was intended, or serving as some sort of emergency food reserve, the farmer-held grain reserve hangs like a cloud over the market. All traders know that it is there and that it cannot stay locked up forever. Its presence has caused increased production by our competitors and reduced domestic and foreign use of U.S. wheat and feed grains.

Grain farmers have learned the hard way that they cannot store their way to market income opportunity. Had the federal farmer-held reserve not been such a "handy" tool for propping up market prices in an attempt to reduce federal taxpayer outlays for deficiency payments, we would have never accumulated the excessive wheat and feed grain stocks that gave need for a PIK program.

Farm Bureau has long understood the importance of orderly marketing and the role of the regular CCC loan program. The federal farmer-held reserve program was used to try to prop up grain prices to avoid Treasury outlays. In the process, our market shares have eroded.

Farm Bureau delegates voted to extend the regular nine-month loan for another nine months in place of the federal farmer-held reserve program. This surely will help wheat farmers avoid repeating the mistake of storing 1976 wheat for seven years through 1983. Locking U.S. grain away from the world market--from U.S. and world livestock producers--until the market reached government set prices, proved to be very unsound economics and costly to taxpayers.

(6) DAIRY PROGRAM: We suggest continuation of the dairy purchase program but believe that the support rate should be tied to two measures of market conditions. First, we believe that the support price should be determined using an average of the previous three year's all milk price. This level will be adjusted effective October 1 of the marketing year.

Second, we believe that the basic support price should be adjusted if government purchases are not in accordance with desired levels. The Farm Bureau proposal will include specific adjustments in terms of a percentage of the support price that would be required when purchases are at any given level. This measure will also avoid problems associated with discretionary authority for adjustment of support prices.

(7) OTHER COMMODITY PROGRAMS: Sugar, peanuts, wool and mohair provisions of the 1981 Act will remain largely unchanged in our proposal. These programs have not been costly to taxpayers. We, therefore, would not support substantial changes to these programs.

(8) CONSERVATION RESERVE AND SODBUSTER PROVISIONS: Our proposal would include provisions for a conservation reserve program for owners and operators of erosion-prone land to assist them in conserving soil consistent with budgetary limitations. Contracts of 7-15 years would be offered under which producers would convert erosion-prone cropland to less intensive uses such as pasture, permanent grass, legumes or trees.

We would also support using severe measures to discourage producers from plowing fragile land. Our proposal will declare any producer who brings fragile land into production ineligible for any farm program benefits on any crop in his entire farming operation.

Mr. Chairman and members of the Committee, I thank you for the opportunity to present our views on the 1985 Farm Bill. The policy that we have developed is representative of agricultural interest throughout the United States. Our leadership has worked long and hard to develop policy that we believe is sound, fiscally responsible and in the best interests of U.S. agriculture.

Farm Bureau looks forward to working with the House Agriculture Committee in the months ahead to develop the 1985 Farm Bill. I appreciate the opportunity to present our views and would be glad to respond to any questions.

STATEMENT OF
BEN F. MORGAN
CHIEF EXECUTIVE OFFICER
DAIRYMEN, INC.

CHAIRMAN OF THE BOARD
NATIONAL COUNCIL OF FARMER COOPERATIVES

BEFORE THE
HOUSE AGRICULTURE COMMITTEE

MARCH 21, 1985

Mr. Chairman, I am Ben Morgan, Executive Vice President and Chief Executive Officer of Dairymen, Inc. and Chairman of the Board of the National Council of Farmer Cooperatives. I commend you for conducting this hearing and stimulating the debate on farm policy.

Dairymen, Inc. is a member of the National Council of Farmer Cooperatives, which is an association of cooperative businesses owned and controlled by farmers. It represents about 90% of the 6,100 local farmer cooperatives in the nation, with a combined membership of nearly two million farmers.

On January 21, 1985, the National Council's Agriculture and Trade Policy Committee adopted a policy statement which begins as follows:

> "In 1985, new farm legislation should be based on policy objectives which reflect the changing global economics of agriculture today."

Today's statement is intended to review the changing economic picture, evaluate policy options, and then discuss policy prescriptions which we believe are important if American farmers are to survive and prosper in the future.

The Changing Economics of Agriculture

The economics of agriculture have changed dramatically since the first farm bill was passed in the 1930's. We have gone from an agriculture where 25 percent of the U.S. population lived on farms, to one where today only 3.5 percent do so; from an agriculture where the average size farm was 151 acres, to one where the average farm size is about 440 acres; and from an agriculture where only 1 out of 10 acres was exported, to one where 4 out of 10 acres planted are exported.

To help us identify where we need to go in farm policy, it is useful to review where we have been.

History of Farm Programs

The Agricultural Adjustment Act of 1933 was the first in a continuous series of farm legislation designed to provide support and stability to farm prices and income through government programs.

It was enacted after efforts by farm leaders in the 1920's and early 1930's failed to encourage farmers to reduce surplus production. The Federal Farm Board in 1929 had also failed in its efforts to strengthen prices through the use of a storage program.

After the act was passed Secretary of Agriculture Wallace wrote, "The present program for readjusting acreage to market requirements is admittedly but a temporary method of dealing with an emergency."

The 1933 act resulted in farmers being required to plow up a certain percentage of their crops for which they were paid. Support prices were implemented to keep prices from falling below a certain level and the Commodity Credit Corporation was chartered to assist in carrying out the price support operations.

The Agricultural Adjustment Act was declared unconstitutional and was replaced by the Soil Conservation and Domestic Allotment Act of 1936, which attempted to reduce production by paying farmers for improved land use and conservation.

With surpluses continuing to mount, the Agricultural Adjustment Act of 1938 was passed. It stressed an Ever-Normal Granary plan of balanced abundance with non-recourse loans for program participants, acreage allotments, marketing quotas for basic crops, and a goal of parity for prices and farm income.

After several years of controversy between those wanting high price supports and those wanting flexible price supports, a compromise was reached with the passage of the Agricultural Act of 1949. It amended the 1938 act to provide support prices at 75 to 90 percent of parity.

The 1949 act is the permanent law which has subsequently been amended by a series of 4 year farm bills.

Since that time, the trend in food and farm programs has moved away from production controls toward making surplus food available to those in need, using storage programs, promoting market development and providing incentives to encourage farmers to reduce production from some base acreage when stocks become excessive. Emphasis was put on developing the export markets, and as a result today exports account for about 25 percent of U.S. agricultural production compared with only about 10 percent in the 1960's.

Unfortunately exports have been declining since a high of $44 billion in 1980/81, dropping to $39 billion in 1981/82, $34.7 in 1982/83 and $38 billion in 1983/84. On February 20, 1985, USDA published an export forecast for 1984/85 of $35.5 billion, which is another 7 percent decline from last year.

Such declines have backed up on the domestic market causing surplus stocks, low prices and high government cost.

Why Have Exports Declined?

To identify the cause of this decline one has to look beyond the farm sector itself into the world economy. The macro-economy is affected by the value of the dollar, agricultural and trade policies of our competitors, embargoes and the structure of our own farm programs.

During the rapid export growth period of the 1970's, real growth rates in the lesser developed countries were running about 5 to 6 percent and in the industrial countries about 3 to 4 percent. During the early 1980's these rates dropped to near 0 percent for both as the world went through a major recession. These rates have only recently turned around with growth rates starting to improve. Unfortunately the improvements have not materialized as growth in demand for food and fiber.

This has been particularly true for U.S. agricultural exports due in large part to the tremendous disadvantage we have in export markets because of the value of the dollar. For example, the price of our products in international markets is at a 30 to 45 percent disadvantage because of the dollar. It is clear that unless something is done soon about the value of the dollar U.S. agriculture will be pushed back into our borders -- and worse still, if something is not done we could see significant imports of products we once exported in major quantities.

The following are some comparisons for major export commodities showing the increase in the value of the dollar, which places U.S. commodities at a price disadvantage to foreign buyers.

INDEX OF TRADE-WEIGHTED DOLLAR
EXCHANGE RATES[1]
(APRIL 1971 = 100)

	October 1983	October 1984[2]
Total Agriculture	429.8	938.9
Soybeans	148.8	175.9
Wheat	1713.1	4612.3
Corn	400.4	879.8
Cotton	159.9	194.5

[1] Percentage changes in nominal currency units per dollar weighted by proportion of agricultural exports from the United States. An increase indicates that the dollar has appreciated.

[2] Source: USDA Agricultural Outlook, 1985 Outlook Issue

If you add to all of this the fact that embargoes have raised doubts about the U.S. as a reliable supplier and created expanded investments overseas, plus the competition with export subsidies by our competitors, then it is no wonder that we are losing ground in export markets.

The result of all this has been a lost market share in a declining market which causes heavy surpluses, low prices, low farm income, poor financial health, declining land values and high government cost.

Agriculture at a Crossroads

The culmination of all this has put U.S. farm policy at a crossroads. We need to review the objectives of farm programs and see what changes are needed to meet the challenges of today's world market environment.

We have operated for the last 50 years with three major policy objectives:

1. Support for farm income and prices,
2. Maintain adequate supplies of food and fiber, and
3. Assure the orderly marketing and distribution of farm products.

If we are to compete in today's world market environment given the value of the dollar and government policies of our competitors that discount their products in world commerce, then we need to add a fourth objective to the above list:

4. Assure U.S. competitiveness in world markets.

Adding this goal to the existing list of agricultural policies raises questions concerning what kind of farm program structure can simultaneously provide economic support for farmers, encourage orderly marketing through the private sector, and allow us to be competitive in the export market.

An evaluation of our current program indicates that such objectives are not simultaneously achieved when stocks become excessive, causing prices to be established by the loan rate for an extended period of time. When this occurs, as it has in recent years for several program commodities, the price support loan becomes the price level below which we start to lose market share.

The problem is further compounded as we put programs in place to cut production in an effort to strengthen prices. In the past such adjustments did increase farm prices because such actions resulted in a reduction in total world supply and thus higher prices to our farmers. However, recently our competitors have moved to expand production when we cut back. This has resulted in continued excess world supplies and low prices with lost market shares for U.S. farmers.

The table attached to my statement illustrates this recent turn of events as our competitors are "farming our farm programs."

Meanwhile, in the U.S. farmers are plagued by high debt loads, low prices, and falling land values. While we pursue international competitiveness, we must also recognize the severe economic stress now facing many family farmers.

The current farm credit crisis which we have heard so much about is a symptom of an underlying root cause, and that is inadequate farm income.

The best measure of economic health in this case may not be debt to asset ratios, but rather the ratio of debt to net farm income. That is the key indicator of a farmer's ability to repay his debt, so let us evaluate it.

In 1974, the farm debt-to-income ratio was less than three-to-one. By 1980, it was up to almost eight-to-one and in 1983 it was more than thirteen-to-one.

Clearly, current income is inadequate to service the debt and policy adjustments should take this into account.

Debt-to-Income Ratio

Year	Debt[1]	Income[2]	Ratio Debt:Income
1974	73.3	27.3	2.7
1976	91.5	20.1	4.6
1978	122.7	27.7	4.4
1980	165.8	21.2	7.8
1981	182.0	31.0	5.9
1983	216.3	16.1	13.4

[1] Total Farm Debt, billion $
[2] Net Farm Income, billion $

Source: ERS, USDA

Thus the stage is set for the writing of the 1985 farm bill. The challenge is, how does Congress write a farm bill that helps agriculture toward economic recovery, allows us to be competitive in international markets and does so in a way that is cost efficient for the government?

There are several solutions offered that meet some of the four goals outlined earlier. For purposes of discussion the alternatives have been grouped in the following categories:

1. Government supply control
2. Free market
3. Two price plan

The following are the pros and cons of each of these options:

Government Supply Control

Pros:

- *Adjustment is distributed among farmers
- *Maintains higher domestic prices in the short-run
- *Lower government cost

Cons:

- *Less decision flexibility for farmers
- *Continued loss of export markets

The government supply control model will achieve a more even distribution among farmers with the adjustment in supply coming from farmers cutting production at the margin rather than marginal farmers going out of business.

It will result in higher prices during the short run if the supply cut is more than the increase in production by our competitors. However, the price increase will be shortlived if the price level achieved attracts expanded world production.

Clearly the short term government cost will be less if production is strictly limited by law, rather than controlled through government payment and incentive programs.

The one major problem associated with this option is the realization that continued use of supply control in an effort to increase market prices to farmers will result in loss of export markets which represent over 50 percent of the demand for wheat, feed grains, soybeans, cotton and rice.

Free Market Option

Pros:

- *Insures competitiveness in international markets
- *Greater decision flexibility for farmers
- *Reduced government cost

Cons:

- *Puts the cost of being price competitive and competing against foreign subsidies entirely on the backs of farmers

This option is the most direct way of putting U.S. agriculture in competition with our export competitors. It gives farmers complete flexibility to make production decisions and it certainly doesn't cost the government any money since it does not provide any safety-net for farmers. However, that means that farmers must bear the entire costs.

Two Price Plan

Pros:

- *Allows us to be competitive in international markets
- *Maintains support to farmers if subsidies are used to create the two prices

Cons:

- *Puts the domestic producers of value added products at a disadvantage

A two price plan provides one price to domestic consumers and another price in export markets. By doing so it allows us to be competitive in export markets for the raw product being exported. If achieved by export subsidies then farmers are protected. However, if the domestic price is supported at one level and the remainder of production is allowed to be priced at the world level then farmers are not protected against unfair foreign trade practices and the strong value of the dollar.

In either case the producers of value added products in this country are put at a disadvantage. In fact, if the two price plan is carried to its logical conclusion then subsidies would have to be made available to value added products that are traded internationally and import restrictions would have to be imposed to protect them from imports that are cheaper because of lower prices of the raw products.

Administration Proposal

Lowering the support structure, eliminating the acreage control provisions and lowering the payment limitations as proposed by the Administration completely ignores the need to provide adequate support to farmers during this period when agriculture is faced with financial stress caused by conditions external to the farm economy.

Analysis suggests that market-clearing price levels would allow U.S. stocks to clear over a period of time, but would also result in a sharp short-term reduction in cash receipts for farmers. The reduction is accented because of lower world prices resulting from foreign export subsidies and other unfair trade practices of other countries. The question is, in an unfair trading environment, who will bear the cost of moving to market-clearing prices?

The Administration's proposal puts a disproportionate amount of the cost of offsetting the unfair world competition directly on farmers. The result will be further financial stress both in the farm community and in rural America at a time when the farm economy is facing a major restructuring under the current level of support.

Recommended Change

A fundamental change needs to be made in our farm program to allow us to be competitive in international markets while at the same time providing a safety net to the farm economy from the impact of overvalued dollar and subsidies by our competitors.

To meet these conflicting goals, the National Council recommends the adoption of a marketing loan program that would provide farmers the same program design as exists under the current law with the exception that the price support loan could be repaid at the loan level or the world price, whichever is lower.

If such a structural change were made in the commodity programs it would have the following advantages:

*Allow the U.S. to be competitive

*Allow the market to clear by eliminating the market-interfering aspects of the current program

*Maintain adequate support for producers

*Reduce the need for supply management programs, but when one is necessary it takes away the incentive for our competitors to expand production because we will be price competitive

*Encourages our competitors to share in our efforts to adjust production when surpluses exist

*Reduces the costly government surpluses that hang over the market depressing prices for an extended time

*Allows users and consumers in this country to buy at the market clearing price

*Is a more efficient way to provide support to farmers than the current program

Questions and Answers

1. How would such a program be administered?

There are several options. The simplest might be to have ASCS make the marketing loans available to farmers at harvest and then have USDA determine the repayment level based on market prices each week. Price data from the Agricultural Marketing Service and Statistical Reporting Service could be used to determine repayment. During the first month after the loan is taken out, the producer could be required to repay the full face value of the loan in order to encourage orderly marketing. Interest would be charged, but could be reduced as needed to allow repayment and avoid government takeover of commodities.

2. Why would it be more cost effective than the current programs?

Current programs lead to government takeover of surplus stocks which are costly to store and difficult to dispose. The cost to the taxpayer of acquiring and storing these stocks is greater than simply discounting the amount of loan repayment.

In fact, by encouraging loan repayment even at a discounted level, USDA receives working capital which can immediately be reinvested or used to reduce the Federal deficit.

Beyond that, the marketing loan offers farmers an additional incentive to participate in acreage reduction programs, which makes the programs more cost-effective.

3. How would the safety net for farmers be maintained under this program?

Farmers would receive the protection of the initial value of the loan, plus whatever target price is in place. If market prices go down, farmers would still have the assurance of the loan value which provides a certain minimum safety net to provide needed cash flow.

1985 Farm Bill

The marketing loan outlined above is a new concept and is central to moving farm programs to market orientation while providing farmers protection. It is one element of a balanced policy.

In developing the 1985 farm bill, we believe that certain concepts are very important. Specifically, non-recourse loan rates and target prices should be maintained as the means of providing financial support. Loans should be operated as "marketing loans", which farmers would be allowed to repay based on the loan rate value or world market level, whichever is less. This will protect farmers while allowing U.S. commodities to move through market channels at competitive prices.

The payment limitation should be discontinued.

A long-term conservation reserve should be authorized to carry out multi-year land retirement of fragile, erosive land. Such a program will help conserve our natural resources and bring supply into better balance with demand.

We believe very strongly in fair trade. Unfortunately trade has not been fair. Agricultural exports are now projected to fall to $35.5 billion in fiscal 1985, due in part to the over-valued dollar and foreign export subsidies as witnessed in 1982 by the over $6 billion in export restitutions used by the EEC to expand their agricultural exports.

We must respond by using our agricultural abundance to expand market share and to counter unfair trade practices. Aggressive action is needed now. At the same time, we need to encourage longer-term market development.

Mr. Chairman, it is essential that an aggressive Trade Title be included in the 1985 farm bill to counter unfair trade practices, build world demand, and compensate for the effects of the over-valued dollar. Attached to my statement is a summary of NCFC's trade proposals, adopted on January 21, 1985. Specifically, the legislation should provide for a spectrum of export credit programs tailored to fit the diverse needs of recipient countries. Surplus commodities should be used as bonus products and blended with U.S. aid programs to encourage their use. At the same time, such actions should not displace any commercial sales which would otherwise have been made. Programs should be designed to move those nations from "aid" to "trade" in their relationship with the U.S. New credit programs to be included would be a continuous line of credit guarantees and an intermediate export credit guarantee program. The P.L. 480 program should be extended and improved, with an emphasis on multi-year programming and infrastructure development in recipient countries to allow greater purchases of U.S. agriculture commodities. An Export PIK program should be authorized and implemented.

Summary

American agriculture has changed dramatically since the 1930's and government programs should change as well. We must recognize that we operate in a global economy today, in which we must be competitive if our agricultural sector is to have an opportunity to produce for an expanding market.

At the same time, farmers should receive a reasonable safety net of protection while we encourage competitiveness. World markets are distorted by external factors such as macro-economic policies, the over-valued U.S. dollar, and unfair foreign trade practices, so it is unfair to ask farmers to bear these costs by themselves.

Innovative concepts such as the marketing loan can provide farmers cash flow and income protection, while allowing commodities to move into world markets at competitive prices.

In 1985, Congress should adopt legislation which provides short-term assistance and long-term guidance to the marketplace. The challenge is great, but our nation's largest and most basic industry demands and deserves our best efforts.

Production and Exports of Major Grains: 1982/83 vs. 1983/84*

**WHEAT (in m.m.t.)

	Production		Exports	
	82/83	83/84	82/83	83/84
U.S.	75.3	65.9 (-12.5%)	41.1	38.9 (-5.4%)
Major Exporters	109.9	120.0 (+9.2%)	59.8	65.3 (+9.2%)

***FEEDGRAINS (in m.m.t.)

	Production		Exports	
	82/83	83/84	82/83	83/84
U.S.	250.7	137.1 (-45%)	54.0	55.6 (+2.9%)
Major Exporters	56.8	57.7 (+2%)	21.6	25.7 (+19%)

****RICE (in m.m.t.)

	Production		Exports	
	82/83	83/84	82/83	83/84
U.S.	4.9	3.2 (-35%)	2.2	2.3 (+4%)
Major Exporters	23.6	25.3 (+7%)	5.6	6.5(+16%)

TOTAL GRAIN (Wheat, Feedgrains & Rice) (in m.m.t.)

	Production		Exports	
	82/83	83/84	82/83	83/84
U.S.	330.9	206.2 (-38%)	97.3	96.8 (-1%)
World Less U.S.	1211.9	1280.2(+5.6%)	119.1	128.3(+8%)

*Estimated
**Includes Argentina, Canada, Australia, & EC
***Includes Canada, Australia, Argentina, South Africa and Thailand
****Includes Burma,, Pakistan and Thailand

Source: World Agricultural Supply and Demand Estimates, USDA February 11, 1985.

AGRICULTURAL TRADE POLICY

Adopted by the National Council of Farmer Cooperatives
Agriculture and Trade Policy Committee
January 21, 1985

1. Encourage macro-economic policies which reduce interest rates, stimulate economic growth, and bring the overvalued dollar into balance with the currencies of foreign customers.

2. Modify domestic farm policies in 1985 by providing farmers marketing loans or other means to allow U.S. farm products to be competitive in world markets.

3. Establish an aggressive Trade Title in the 1985 Farm Bill. It should include the following:

   A. A spectrum of credit programs (see attached) tailored to fit the diverse needs of other nations, including:

      1. Continuous Commercial Credit line for export guarantees -- six month repayment

      2. Short-Term Credit -- 6 months to 3 year repayment

      3. Blended Credit -- combines interest free direct credit with market rate credit guarantees

      4. Intermediate Credit Guarantees -- 3-10 year repayment

      5. P.L. 480 -- long-term market development and humanitarian aid

   B. Reauthorize the P.L. 480 "Food for Peace" Program, with revisions:

      1. Increased authorization levels

      2. Use of multi-year programming to give foreign recipients more reliable assistance

      3. Inclusion of value-added products

      4. Emphasize market-development

      5. Use to encourage infrastructure improvement to enhance foreign countries' ability to receive U.S. products

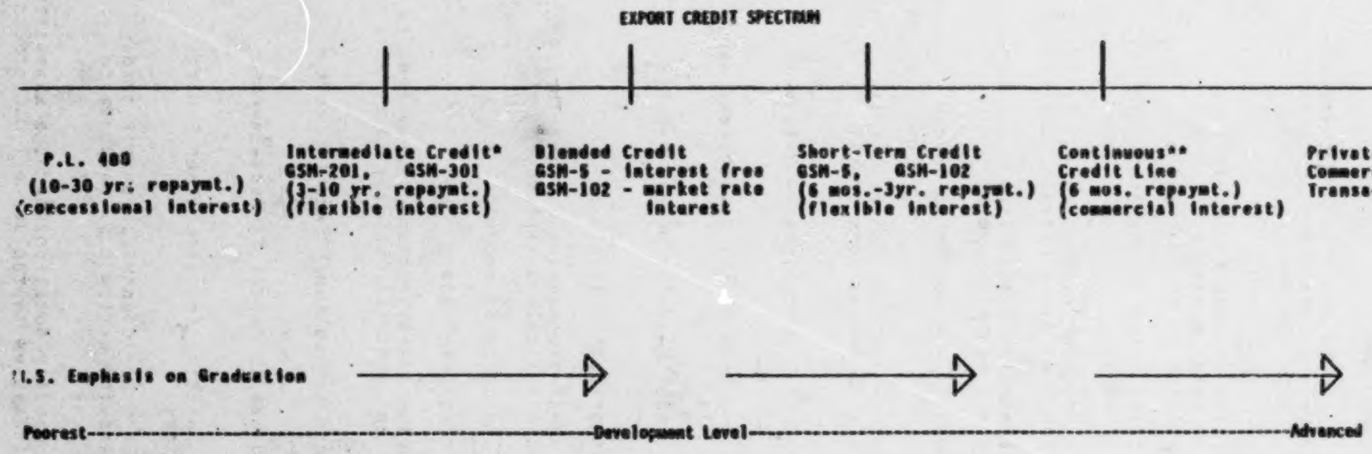
   C. Reauthorize and fund Agricultural Export Credit Revolving Fund

   D. Specifically authorize an Export Payment-In-Kind program

   E. Reaffirm Contract Sanctity and strengthen Embargo Protection provisions

   F. Require a report on other countries' unfair trade practices, and press for a firm U.S. response to them

   G. Expand overseas commodity donations through expansion of Section 416 authorities to include all CCC stocks



EXPORT CREDIT SPECTRUM

P.L. 480
(10-30 yr. repaymt.)
(concessional interest)

Intermediate Credit*
GSM-201, GSM-301
(3-10 yr. repaymt.)
(flexible interest)

Blended Credit
GSM-5 - interest free
GSM-102 - market rate
interest

Short-Term Credit
GSM-5, GSM-102
(6 mos.-3yr. repaymt.)
(flexible interest)

Continuous**
Credit Line
(6 mos. repaymt.)
(commercial interest)

Private
Commercial
Transaction

U.S. Emphasis on Graduation

Poorest------------Development Level------------Advanced

Including proposed Commodity Intermediate Credit Program

*Proposed New Program

Prepared by National Council of Farmer Cooperatives
October 1984

LET'S REBUILD, AMERICA
IN THE 80's

Statement of the Chamber of Commerce of the United States

ON: FARM POLICY AND THE 1985 AGRICULTURE AND FOOD ACT

TO: HOUSE COMMITTEE ON AGRICULTURE

BY: KENNETH E. FRICK

DATE: MARCH 21, 1985

The Chamber of Commerce of the United States is the world's largest federation of companies and associations, and is the principal spokesman for the American business community. It represents more than 180,000 companies plus several thousand other organizations such as local/state chambers of commerce and trade/professional associations.

More than 85 percent of the Chamber's members are small firms with fewer than 100 employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business -- manufacturing, retailing, services, construction, wholesaling, and finance -- numbers more than 14,000 members. Yet, no one group constitutes as much as 26 percent of the total membership. Further, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the 50 American Chambers of Commerce Abroad, an increasing number of members are engaged in the export and import of both goods and services, and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross section of its members serving on committees, subcommittees and task forces. Currently, some 1,800 business people participate in this process.

STATEMENT
on
FARM POLICY AND THE 1985 AGRICULTURE AND FOOD ACT
before the
HOUSE COMMITTEE ON AGRICULTURE
for the
CHAMBER OF COMMERCE OF THE UNITED STATES
by
Kenneth E. Frick
March 21, 1985

I am Kenneth E. Frick, owner/operator of Kenmar Farms of Arvin, California. I am a member of the United States Chamber of Commerce, on whose behalf I am testifying today. As an active member of the Chamber, I serve on its Food and Agriculture Committee and welcome this opportunity to present the Chamber's views on omnibus farm legislation. The expiration of the Agriculture and Food Act provides an opportunity to enact needed reforms in commodity stabilization programs.

SUMMARY OF CHAMBER POSITION

The goal of the U.S. Chamber's food and agricultural policy recommendations is to assure farmer and rancher businessmen greater opportunity for profitability by making commodity programs more responsive to marketplace realities. We suggest six specific reforms.

1. Nonrecourse Loans. Nonrecourse commodity loan programs for wheat, corn, feed grains and rice should be determined by a flexible, market-based formula. Nonrecourse loans provide important marketing and cash-flow benefits and help producers manage risks. However, inflexible loans, set by statute above market clearing levels, have stimulated production, undermined competitiveness in international markets and resulted in disruptive acreage reduction programs.

2. Target Prices. The target price mechanism for wheat, corn, feed grains, rice and cotton should be eliminated, and an alternative system, carefully designed to avoid any interference with market forces, should be established for equitably dealing with temporary problems of low farm income and profitability.

Deficiency payments have proved extremely expensive; benefits appear to have gone largely to those who need them least; and there is growing evidence that target levels which were designed to be "market neutral" have, in fact, been market disruptive.

3. Farmer-Owned Reserve. The Farmer-Owned Reserve (FOR) for wheat, corn and feed grains is both a useful marketing tool and a cost-effective method of assuring adequate supplies in periods of production shortfall. However, the FOR should be limited, simplified, and not used to manipulate prices.

4. Supply Management. We oppose governmental efforts to control production of wheat, corn, feed grains, cotton and rice. Supply management programs have been extremely costly and disruptive for farm suppliers, livestock and dairy producers, post-harvest industries, taxpayers and consumers, and they have been self-defeating in the larger context of a global agricultural economy.

5. Dairy. The Secretary of Agriculture's authority to reduce the dairy support level by periodic, 50-cent increments should be continued beyond its expiration date of September 30, 1985. This gradual "ratcheting down" of the support price is the most effective and equitable method of bringing supply into balance with demand. In addition, the dairy diversion program should not be extended beyond its March 31, 1985, expiration date.

6. Export Development. Export efforts should be strengthened and redirected by establishing a "ladder" of food aid and export credit programs. At the base of the ladder, Public Law 480 (Food-for-Peace Program) should continue to be utilized fully for the benefit of the poorest nations, and special emphasis should be placed on the statute's importance as a trade enhancement mechanism.

Moving up the ladder from the Food-for-Peace Program, intermediate-term export credits should be utilized by developing countries which have graduated beyond P.L. 480 donations and concessional sales but which cannot meet the more stringent commercial terms of the GSM-102 short-term guarantee program. These middle-rung programs should also assist in the construction of handling, storage and other facilities which enhance a nation's ability to absorb greater volumes of agricultural imports and better feed its people.

At the top of the ladder, short-term credits, programmed on a multi-year basis, would improve export opportunities among the most prosperous developing nations. Congress should also consider the Grace Commission recommendation that credit guarantees under the GSM-102 export credit program be made transferable.

Importing nations should be graduated up the ladder as their ability to meet commercial terms improves. This process might be further strengthened by a new program offering a multi-year line of direct and/or guaranteed credit under terms negotiated with recipient countries. The program would approximate a credit. Any draw on the credit line would carry a specified--perhaps six-month--maturity. As the six-month loans are repaid, the revolving credit line is restored by the payment amount and again becomes available for further credit purchases. Such a program would provide the recipient country with long-term credit availability and some assurance of dependable supplies.

Food assistance and export market development programs have proven to be a cost effective means of providing humanitarian relief and expanding foreign markets. These programs should not be used to achieve domestic or international policy goals unrelated to food aid or export market development. In particular, cargo preference restrictions should be eliminated or replaced by other methods which do not inhibit export sales and food assistance. Nor should U.S. programs be used to subsidize the development of processing and other facilities which directly compete with U.S. firms and displace value added export products.

These recommendations, especially those relating to nonrecourse loans, target prices and the dairy programs, will bring about needed structural adjustments in U.S. agriculture. However, some producers who are now dependent upon price supports and deficiency payments may experience economic difficulty. Temporary programs of assistance may be needed to mitigate economic hardship.

CRITERIA FOR TEMPORARY ECONOMIC HARDSHIP MEASURES

Government has an obligation to bring about structural reforms as smoothly and orderly as possible. Congress and the Administration should, therefore, consider the development of temporary "safety net" measures to accompany market-responsive reforms in the farm program. Such measures, however, should meet four essential and minimal criteria:

1. their cost must be less than the programs they replace;
2. they should be terminated at the end of an appropriate transitional period;
3. they should include means tests or other mechanisms to assure that benefits are directed only to those truly in need; and
4. they should separate income maintenance from price supports.

ADDITIONAL ARGUMENTS FOR REFORM

These recommendations are outlined in proper context in the appendix, entitled "Position Paper on Agricultural Policy and the 1985 Farm Bill." This document was developed by the Chamber's Food and Agriculture Committee and approved by its Board of Directors in November, 1984.

(The appendix follows:)

APPENDIX

CHAMBER OF COMMERCE
OF THE UNITED STATES

POSITION PAPER
ON
AGRICULTURE POLICY AND THE 1985 FARM BILL

NOVEMBER, 1984

INTRODUCTION

The past five decades have witnessed dramatic changes in agricultural technology, structure and marketing, but Federal farm stabilization programs have undergone relatively less change in this same period. There is ample and growing evidence that these aging farm programs are increasingly ineffective in dealing with the challenges and opportunities of this decade and beyond. Their inadequacies have become more obvious in recent years as their costs to taxpayers have increased (from $6.6 billion in 1981 to $28.3 billion in 1983) with little apparent effect on farm prosperity (1)*.

Inflexible commodity price supports, set at higher than market levels, have resulted in inefficient resource allocation and a vast build-up of price depressing surplus stocks. Fragile land has been brought into production to the detriment of sound resource management. Foreign competitors have been encouraged to undercut U.S. prices in world markets (2).

Similarly, efforts to control the volume of production through voluntary controls on planted acreage have had a long history of disappointing results for the obvious reason that such programs encourage farmers to retire their least productive land and farm the remainder intensively. Moreover, other grain producing nations have taken advantage of U.S. acreage reductions to increase their own production, while importing nations have viewed U.S. cutbacks with alarm.

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* Notes and references are at the end of the paper.

U.S. agriculture has become more integrated into the non-farm domestic economy and into world markets. The consequences of farm programs are felt far beyond the farm gate and have ripple effects throughout the 23 percent of the total economy which is farm related. Nevertheless, Congress and recent Administrations continue to develop farm programs on a commodity by commodity basis, with little apparent regard for their effect on the livestock, poultry and dairy sectors, much less on farm supply businesses, post harvest industries, trade competitiveness, and consumers.

Major elements of the federal farm program expire on September 30, 1985. The new Farm Bill provides an opportunity to begin significant structural reforms in the farm program for crop year 1986 and beyond.

WHO BENEFITS?

A recent Economic Report of the President (3) calculates that if farm program payments in 1983 were distributed equally among the nation's 2.4 million farmers and ranchers, each farm/ranch would have received about $12,000. However, because program payments are distributed in direct proportion to volume of production, a disproportionate share of benefits goes to the relatively small number of farmers who produce the bulk of supported commodities. For example, in 1982, 78% of all direct federal farm program payments went to a minority (29%) of farmers with annual sales in excess of $40,000 (4).

The official definition of a farm/ranch is any unit of land producing at least $1,000 in gross sales of agricultural products per year. The Congressional Budget Office and USDA's Economic Research Service have recently completed studies (5) of the 2.4 million farms/ranches that satisfy this definition in an attempt to categorize farms/ranches by acreage, production volume, and income. The results (see Appendix, Table 1) suggest that more than half (1.4 million) of total U.S. farms/ranches are small units with less than $20,000 in annual gross farm sales. This group earns more than half (60%-80%) of its total income off the farm. Many appear to be truck farmers, hobby farmers or tax shelters with little need for, or interest in, price support programs. On average, this group has a negative net farm income, if the statistics are credible (see Appendix, Table 1).

A second category consists of about 670,000 farms/ranches with gross farm sales in the $20,000 to $100,000 range. This group tends to be the mid-sized "family farmers" who are full time farmers and earn less off farm income than smaller scale farmers. The mid-sized farmers account for more than 25% of ~~the nation's~~ farms/ranches, but they earn only 10% of net farm income (see Appendix, Table 1).

Finally, the third category of farms/ranches is made up of about 300,000 units with gross farm sales in excess of $100,000. While this group makes up only about 13% of the total number farms/ranches, they account for more than 80% of total net farm income. In fact, the 25,000 farms which average more than one half million dollars in annual farm sales account for about 60% of the total. Many of these large scale operations participate in, and benefit from, federal price support programs (see Appendix, Table 1).

Several recent studies appear to confirm that mid-sized, full time farmers are in the greatest difficulty today and face an uncertain future (5). This is particularly true of younger farmers who pursued an expansionist strategy in the decade of the 1970's and became heavily indebted on the expectation of continued strong prices. Farm programs, as presently structured, have done little to alleviate the distress of farmers in this category. At the same time, however, they have provided unneeded benefits to many large scale, adequately capitalized producers.

The spectacle of huge government payments to large volume producers has provoked renewed interest in "targeting" program benefits to those farmers and ranchers, presumably small and medium scale full time farmers, in greatest need (7). The targeting concept, however, raises a number of serious difficulties. For example, it would be very difficult to devise a means test that would equitably distinguish between needy producers and profitable producers, or between gradations of need. Such a program would certainly tend to encourage inefficiency by rewarding marginal managers. Moreover, if payments were limited, large scale producers would no longer have an adequate incentive to participate in voluntary acreage reduction programs. Voluntary production control efforts would have to be replaced by mandatory controls such as marketing quotas. Clearly, this approach leads down the path of far stricter price and production regulation and a retreat from world markets.

This paper suggests a different approach.

POLICY GOALS

Before proceding to a consideration of specific program reforms, it is necessary to establish a broad framework of policy goals or objectives. Current U.S. policymakers, apparently imbued with the Jeffersonian ideal of the small family farm, have exhibited considerable ambiguity in identifying the goals of a national farm policy. The result has been a patchwork quilt of programs and policies that often work at cross purposes.

This paper identifies four basic objectives of the U.S. food and agricultural industry in 1985 and beyond. They are:

1. greater opportunity for farmers and ranchers to attain profitability in the marketplace;
2. abundant supply of affordable food for U.S. consumers;
3. improved competitiveness of U.S. food and agriculture in world markets; and
4. an efficient allocation of resources and products.

These broad objectives cannot be achieved through government mandates. They can only be realized by the private sector working in concert with prudent public policies that enable the food and agriculture industry to make needed adjustments to rapidly changing conditions. Government policy should be designed to promote, not hinder, these broad objectives.

A dynamic, highly competitive agricultural economy requires greater flexibility in farm program management. This measure of discretion, however, should operate within the stable context of consistent, long term policy objectives. Producers should have some assurance that the rules of the game will not change in mid course, and they should not be subjected to the policy shifts and zig-zags that have all too often characterized recent farm policy.

In support of these goals, the remainder of this paper suggests six farm program reforms that should be included in the 1985 Farm Bill to assure greater competitiveness in domestic and international markets. The final portion of the paper identifies some "safety net" methods and mechanisms aimed at easing the transition from price regulation to a market-responsive farm economy.

These recommendations are necessarily moderate and gradual. A half century of price regulation and supply management cannot be eliminated overnight without an unacceptable level of economic disruption. Moreover, the farm economy does not exist in an ideal environment of free trade and free markets. The aggressive trade practices of some U.S. competitors alone makes a degree of government involvement necessary and desirable. For example, export credit guarantees are a poor substitute for a competitive price system based on comparative advantage, but they are nevertheless essential under the circumstances.

Agriculture, always a risky business, has become even less stable in recent years. Adding to the uncertainties of weather and the biological production cycle, is far greater dependence on purchased inputs and export markets. Consequently, changes in macroeconomic factors and in market supply and demand have greater effect and can occur more often. Some level of government involvement may therefore be necessary, although to a far less intrusive extent than at present.

FARM BILL REFORMS

The 1985 Farm Bill provides an opportunity to enact needed reforms in commodity stabilization programs. Six specific reforms are suggested, as follows.

1. Non-recourse Loans. Non-recourse commodity loan programs for weat, corn, feedgrains and rice should be determined by a flexible, market-based formula. Nonrecourse loans provide important marketing and cash-flow benefits and help producers manage risks. However, inflexible loans, set by statute above market clearing levels, have stimulated production, undermined competitiveness in international markets and resulted in disruptive acreage reduction programs.

2. Target Prices. The target price mechanism for wheat, corn, feedgrains, rice and cotton should be eliminated, and an alternative system, carefully designed to avoid any interference with market forces, should be established for equitably dealing with temporary problems of low farm income.

Deficiency payments have proved extremely expensive, benefits appear to have gone largely to those who need them least, and there is growing evidence that target levels, which were designed to be "market neutral," have, in fact, been market disruptive (8).

3. Farmer-Owned Reserve. The Farmer-Owned Reserve (FOR) for wheat, corn and feedgrains is both a useful marketing tool and a cost effective method of assuring adequate supplies in periods of production shortfall. However, the FOR should be limited, simplified, and not used to manipulate prices.

4. Supply Management. We oppose governmental efforts to control production of wheat, corn, feedgrains, cotton and rice. Supply management programs have been extremely costly and disruptive for farm suppliers, livestock and dairy producers, post harvest industries, taxpayers and consumers, and they have been self-defeating in the larger context of a global agricultural economy.

5. Dairy. The Secretary of Agriculture's authority to reduce the dairy support level by periodic, 50 cent increments should be continued beyond its expiration date of September 30, 1985. The gradual "ratcheting down" of the support price is the most effective and equitable method of bringing supply into balance with demand. The dairy diversion program should not be extended beyond its March 31, 1985 expiration date.

6. Export Development. Export efforts should be strengthened and redirected by establishing a "ladder" of food aid and export credit programs. At the base of the ladder, Public Law 480 should continue to be fully utilized for the benefit of the poorest nations, with special emphasis on the statute's importance as a trade enhancement mechanism.

Moving up the ladder, intermediate term export credits should be utilized by developing countries which have graduated beyond P.L. 480 donations and concessional sales but which cannot meet the more stringent commercial terms of the GSM-102 short term guarantee program. These middle rung programs should also assist in the construction of handling, storage and other facilities which enhance a nation's ability to absorb greater volumes of agricultural imports and better feed its people.

At the top of the ladder, short term credits, programmed on a multi-year basis, would improve export opportunities among the most prosperous developing nations. Congress should also consider the Grace Commission recommendation that GSM-102 guarantees be made transferable.

Importing nations should be graduated up the ladder as their ability to meet commercial terms improves. This process of graduation might be further strengthened by a new program offering a multiyear line of direct and/or guaranteed credit under terms negotiated with recipient countries. The program would approximate a credit card. Any draw on the credit line would carry a specified - say six month - maturity. As the six month loans are repaid, the revolving credit line is restored by the payment amount and again becomes available for further credit purchases. Such a program would provide the recipient country with long term credit availability and some assurance of dependable supplies.

Food assistance and export market development programs have proven to be a cost effective means of providing humanitarian relief and expanding foreign markets. These programs should not be used to achieve domestic or international policy goals unrelated to food aid or export market development. In particular, cargo preference restrictions should be eliminated or replaced by other methods which do not inhibit export sales and food assistance.

Outcomes

The foreseeable outcome or effect of these six suggested program reforms largely depends on such factors as interest rates, the strength of the dollar, and economic conditions in developing countries. Under a "best case" scenario of falling interest rates, a more favorable exchange rate, and strengthening world demand, these reforms might be accomplished with very little disruption to farmers or the rural economy because prices would remain strong despite the phased withdrawal of government supports.

However, under less favorable circumstances, the combination of recommendations 1, 2 and 3 (target price phaseout, market-clearing loan rates, and a simplified Farmer-Owned Reserve) would probably resultinitially in lower grain prices, a drop in net farm income, the continued loss of full time family farmers (9), and the removal of perhaps as many as twenty to thirty million acres in excess grain production capacity (10). Similarly, any drop in dairy supports much below the current $12.60 per cwt level is likely to result in acute distress among highly leveraged dairymen, especially in regions which produce high percentages of manufacturing grade milk.

The benefits of the six suggested reforms become obvious in the longer term. Prices would stabilize within a market responsive range, export competitiveness would improve, production would come more in balance with demand, farm incomes would improve and budget expenditures would decline. The longer term outcomes would include greater opportunity for profitability among surviving farmers and ranchers, a stronger agribusiness economy, improved competitiveness in world markets and a far more efficient allocation of farm resources (11).

Federal programs have caused inefficient resource allocation over many years, often resulting in excess capacity. This has been the effect not only of price support programs for grain, cotton and dairy, but also of import quotas, export subsidies, disaster payments, as well as cheap water, cheap credit and cheap energy policies.

There is no painless way to induce the needed resource adjustment. Some farmers may be forced out of business and others may be forced into less profitable commodities. A phased reduction of price supports may ease the pain, and temporary, structural adjustment programs might be devised to help some farmers survive the transition and help other farmers move into the non-farm workforce if they so choose.

STRUCTURAL ADJUSTMENT MEASURES

Government has an obligation to bring about structural reforms in as smooth and orderly a manner as possible. Congress and the Administration should therefore consider the development of temporary "safety net" measures to accompany market-responsive reforms in the farm program. Such safety net programs, however, should meet three essential and minimal criteria:

1. their cost must be less than the programs they replace;
2. they should be terminated at the end of an appropriate transitional period;
3. they should include means tests or other mechanisms to assure that benefits are directed only to those truly in need; and
4. they separate income maintenance from price supports.

Congress and the Administration may wish to consider any number of safety net options. For example, one program might be aimed at those producers whose long term prospects for survival are excellent but who face a short term cash flow crisis resulting from excessive indebtedness. This group may include many skilled managers with fundamentally solid but highly leveraged operations who cannot "cash flow" under double digit interest rates. Such producers would benefit from an expanded FmHA Economic Emergency Loan Program or from a federal "buy down" of interest rates on farm operating loans underwritten by commercial lenders or production credit associations. (It may prove very difficult, however, to distinguish between those producers who constitute a sound investment and other, inefficient managers who would simply dig themselves deeper into debt at public expense.)

Other "structural adjustment" measures might be designed to accelerate necessary structural trends. Such a program might be aimed at farmers who are producing crops on land that is unsuitable for production for reasons of soil type, climate or proneness to flooding, and whose survival depends on disaster payments and high price support levels. These producers might be "bought out" by means of long term conservation contracts aimed at permanently converting cropland into grassland or woodland (12). The contracts might utilize a bid system to minimize cost to the government. Such a program would have a conservation benefit and also reduce excess production capacity in targeted areas.

Other structural adjustment measures might involve a mix of public and private sector resources. One method is insurance. Farmers may ensure a specific price through forward contracting or selling/buying future contracts. A new and promising tool has recently become available. This year, trading in commodity futures options has begun on a trial basis for the first time in fifty years. With a put option, producers will be able to buy the right to sell their future production at a specified price. Since they are buying the right, and not an obligation, they are locking in a price if the market subsequently falls, and they retain the opportunity to tear up the option if the market subsequently rises.

Similarly, livestock producers will be able to buy insurance against increases in the price of their feed by buying call options. Months later, if the cost of feed goes up, they exercise the option. If it goes down, they tear up the option and buy on the cash market.

Congress may wish to consider subsidizing the cost to eligible farmers and ranchers of purchasing commodity futures options. This proposal might be tested on a pilot project basis.

Another private sector method of managing risk is revenue insurance. The object would be to stabilize income instead of prices. It might work as follows. A farmer would be guaranteed that his revenue per acre of each crop would not fall below some proportion of expected revenues. For example, a corn farmer might insure 75% of average revenue per acre based upon recent experience. If revenue from the corn crop was less than the insured level -- due to either low yields or low prices -- the farmer would receive an indemnity equal to the difference. An indemnity would not be paid if revenues were inside the normal range of variation within a "deductible."

In 1981, Congress directed USDA to undertake a feasibility study of farm revenue insurance (13). The study was completed in 1983, and concluded that the concept merits further consideration (14). A similar study by the Congressional Budget Office (15) arrived at the same conclusion. Both studies suggested that a pilot revenue insurance program might be undertaken by the Federal Crop Insurance Corporation. FCIC might provide premium subsidies to get the program underway.

BEYOND 1985

Dramatic changes have occurred in the agriculture and food industries since 1970, and even more dramatic changes will almost certainly occur in the next several decades. These are likely to include changes in consumer food preference and diet, improvements in marketing technology and farm management, changes in processing and distribution, breakthroughs in genetic engineering, to name just a few. Other factors can only be surmised. For example, will groundwater contamination/depletion force changes in cropping patterns? Will biological pesticides successfully replace chemical pesticides? What will be the cost of energy, or the strength of the dollar, or the extent of world trade protectionism?

While we cannot anticipate economic conditions in ten or twenty years time, we can be certain that the economic health of U.S. agriculture and the food and fiber industry depends on two conditions:

1. its ability to respond to challenges and opportunities in a flexible and timely fashion; and

2. its competitiveness in domestic and world markets.

These conditions can only be met in a market-responsive environment driven by the three principles of competitive price, product quality, and dependability of supply.

With one in every three or four planted acres now producing for export markets, U.S. agriculture is part of a highly competitive global food and fiber system. Moreover, as the U.S. farm sector has become more specialized, it has become increasingly integrated into the total domestic food and agribusiness industry which now accounts for more than 20% of U.S. gross national product. Consequently, farm policy has an effect throughout the entire U.S. and world economy, and efforts to regulate U.S. commodity prices and supply have an immediate and harmful impact on exports and on the whole chain of food and fiber industries.

Making regulation more effective (by moving toward mandatory production controls, for example) may help reduce government outlays and assure a more equitable distribution of benefits, but its ultimate effect will be higher food costs at home, the loss of export markets, and a shrinking agricultural economy. In short, more regulation will only make the situation worse. The only viable reform is less regulation.

BROADER CONTEXT

Since U.S. agriculture has become increasingly integrated into the general economy, macroeconomic factors such as tax policy, monetary and fiscal policy, and trade policy may have as great or greater effect on U.S. farmers and ranchers than traditional farm programs. The farm and food sector has an especially large stake in low inflation, low interest rates, stable monetary exchange rates, and less restricted international trade.

With respect to the latter item, the U.S. government should vigorously press its case against agricultural trade protectionism and unfair trade practices at every possible opportunity. In particular, there is an urgent need to strengthen GATT rules on import quotas, export subsidies and non-tariff barriers, such as unjustifiable health and packaging standards. Policymakers should also reexamine U.S. laws and regulations that inhibit export development (e.g. Cargo Preference) or limit U.S. markets for foreign food agricultural products. Finally, the U.S. must always strive to maintain a reputation as a reliable supplier.

It is also essential that the United States maintain its competitive edge in agricultural science and technology. The federal/state/private sector partnership for agricultural research and extension, dating back to 1862, has served the nation extremely well. Food and agriculture research and extension have made significant contibutions to a wide range of social and economic needs, helped solve environmental and nutritional problems, and provided new and better ways to improve food and fiber production, processing and marketing. Consequently, public assistance should continue to be made available, especially in areas of basic research which are frequently beyond the capacity of individual producers and firms.

CONCLUSION

An economic environment in which farmers and ranchers are provided the opportunity to seek profitability in a dynamic and expanding marketplace is an environment consistent with the best interests of consumers and of other segments of the food and agriculture industry. Farm policy reform will likely involve painful adjustments in some sectors of agriculture and agribusiness. Nevertheless, a market directed policy will free-up numerous tax dollars which can be used to fund temporary programs aimed at cushioning the necessary structural adjustments. In any case, it is essential to the future strength and profitability of the U.S. food and agricultural industry that the new Farm Program enacted in 1985 moves decisively toward greater market responsiveness.

Notes and References

1. Council of Economic Advisors, Economic Report of the President, February, 1984, p. 112.

2. For a discussion of the impact of U.S. production controls on exports, see Congressional Budget Office, Crop Price-Support Programs: Policy Options for Contemporary Agriculture, February, 1984, pp. 27-30.

3. Economic Report of the President, p 112, ff.

4. Ibid., p. 114-5

5. See Congressional Budget Office, "Crop Price Support Programs: Policy Options for Contemporary Agriculture," February, 1984. Also see U.S. Department of Agriculture, Economic Indicators of the Farm Sector: Farm Sector Review, 1982. ECIFS-2, May, 1983; U.S. Department of Agriculture, Farm Commodity Programs: Who Participates and Who Benefits? Economic Report Number 474. September, 1981; and U.S. Department of Agriculture, U.S. Farming in the Early 1980's: Production and Financial Structure. Economic Report Number 504. September, 1983.

6. See, for example, USDA, Economic Indicators of the Farm Sector, January, 1984, Table 19, pp. 146 ff, or Luther Tweeten, "Excess Farm Supply: Permanent or Transitory?", in U.S. Senate Committee on Agriculture, Nutrition and Forestry, Farm Policy Perspectives: Setting the Stage for 1985 Agricultural Legislation, April, 1984, pp 29-43.

7. An articulate case for targeting is made by former Secretary of Agriculture Robert Bergland in testimony before the U.S. House of Representatives Committee on Agriculture, Februry 28, 1984.

8. Secretry of Agriculture John R. Block described the way in which supposedly "market neutral" targets have influenced the planting decisions of the Argentines and other competitors in testimony before the Joint Economic Committee of Congress on May 19, 1983.

9. See National Agriculture Forum, Alternative For U.S. Food and Agricultural Policy, Washington, D.C., First Draft, August, 1984, pp 95-128.

10. Abel, Martin and Draft, Lynn, Future Directions for U.S. Agriculture Policy, Final Report of Agriculture, Stability and Growth: Toward a Cooperative Approach. The Curry Foundation, Washington, D.C., pp 3-4.

11. See Alternatives for U.S. Food and Agricultural Policy, pp 105-107.

12. The U.S. Soil Conservation Service is encouraged by the preliminary results of a pilot cropland retirement program now operating in several southeastern states.

13. See Agricultural and Food Act of 1981 (PL 97-98), Title XI, December 10, 1981.

14. U.S. Department of Agriculture, Insuring Farm Revenue, 1983.

15. Congress of the United States, Congressional Budget Office. Farm Revenue Insurance: An Alternative Risk Management Option for Crop Farmers. August, 1983.

APPENDIX

TABLE 1

Structure of Farming in 1982: Farms by size, number, net income and assets

Farm Sales Class	No. of Farms (1000s)	% of farms	Per farm net income	% of net	Non-Farm income	Net worth per farm
$500,000 and more	25	1.0	572,000	59.9	25,900	2,651,000
$200,000-$499,999	87	3.6	54,072	19.5	13,128	1,322,000
$100,000-$199,999	186	7.7	19,892	15.4	11,008	866,000
$ 40,000-$ 99,999	393	16.4	5,343	9.1	10,857	521,000
$ 20,000-$ 39,999	273	11.4	366	0.6	13,034	324,000
$ 19,000 and below	1,436	59.8	-69	-0.1	18,769	137,000
All Farms	2,400					347,000

Source: Derived from 1982 "Economic Indicators of the Farm Sector," ERS/USDA

TABLE 2

NUMBER OF FARMS AND LAND IN FARMS, UNITED STATES, JUNE 1, 1978-83

YEAR	NUMBER OF FARMS	LAND IN FARMS	AVERAGE SIZE OF FARMS
	THOUSANDS	THOUSAND ACRES	ACRES
1978	2,436	1,044,790	429
1979	2,430	1,043,195	429
1980	2,428	1,042,245	429
1981	2,434	1,042,100	428
1982	2,400	1,038,530	433
1983	2,370	1,035,160	437

Source: Crop Production, August, 1983 B-23 Crop Reporting Board, SRS, USDA

TABLE 3

PERCENT OF FARMS, LAND IN FARMS, AND AVERAGE SIZE, BY ECONOMIC CLASS, UNITED STATES, JUNE 1, 1982-83

ECONOMIC CLASS GROSS VALUE OF SALES	PERCENT OF TOTAL FARMS		PERCENT OF TOTAL LAND		AVERAGE SIZE OF FARMS	
	1982	1983	1982	1983	1982	1983
	PERCENT				ACRES	
$ 1,000-$ 9,999	51.3	50.2	12.1	11.1	102	97
$ 10,000-$99,999	35.8	36.6	43.3	41.7	523	498
$100,000+	12.9	13.2	44.6	47.2	1,494	1,561
TOTAL	100.0	100.0	100.0	100.0	433	437

Source: Crop Production, August 1983 B-23 Crop Reporting Board, SRS, USDA

TABLE 4

COMMODITY CREDIT CORPORATION PRICE SUPPORT AND RELATED EXPENDITURES, FISCAL YEARS 1961-1983

(In millions of dollars)

Year	Major Crops a/	Dairy	Other b/	Total
1961-1965 Average	1,546	235	437	2,219
1966-1970 Average	2,287	142	389	2,818
1971	1,576	217	1,029	2,822
1972	3,289	174	520	3,983
1973	2,114	117	1,324	3,555
1974	1,561	46	-603	1,004
1975	433	424	-282	575
1976	359	40	615	1,014
1977	2,812	469	528	3,809
1978	3,321	240	2,062	5,623
1979	1,647	24	1,901	3,572
1980	2,153	1,011	-447	2,717
1981	1,370	1,894	736	4,000
1982	8,989	2,300	309	11,598
1983 (Projection)	13,517	2,190	5,393	21,100

SOURCE: Congressional Budget Office from U. S. Department of Agriculture data.

NOTE: Minus signs indicate net receipts.

a. Wheat, feed grains, rice, and upland cotton.

b. Includes other commodity programs, interest, and administrative and nonadministrative expenses.

INDICATORS OF GOVERNMENT INTERVENTION IN AGRICULTURE, FISCAL YEARS 1956-1983

Year	Commodity Loans and Inventory (In millions of dollars) a/	Price Support Outlays (In millions of dollars) b/	Acreage Idled Under Government Programs (In millions) c/	Income Return to Equity in Farm Assets (In millions of dollars) d/
1956-1960 Average	7,100	1,633	24	4,900
1961-1965 Average	6,900	2,219	52	5,712
1966-1970 Average	4,200	2,818	54	8,346
1971	4,600	2,822	38	9,096
1972	3,100	3,983	62	9,349
1973	3,400	3,555	20	14,518
1974	1,600	1,004	3	30,167
1975	600	575	2	21,394
1976	700	1,014	2	20,633
1977	1,100	3,809	--	13,995
1978	4,000	5,623	18	13,725
1979	5,300	3,572	12	21,715
1980	5,000	2,717	--	27,309
1981	7,900	4,000	--	15,144
1982	8,900	11,598	9	20,589
1983 (Projection)	16,900	21,100	82	13,257

SOURCE: U.S. Department of Agriculture and the Congressional Budget Office.

a. Total of outstanding commodity loans and CCC-owned inventories at start of the fiscal year.

b. CCC price support and related expenditures by fiscal year.

c. Acreage idled in calendar year in which fiscal year ends.

d. The income return to capital invested in agriculture less interest on borrowed funds. Return in the calendar year in which fiscal year starts. Provided by Emanuel Melichar, Senior Economist, Division of Research and Statistics, Board of Governors of the Federal Reserve System.

Statement
of
Birch Bayh
Counsel to the Sugar Users Group

Mr. Chairman, my name is Birch Bayh. I am appearing today in my role as counsel to the Sugar Users Group, a coalition of trade associations which includes the Milk Industry Foundation, the International Association of Ice Cream Manufacturers, the National Soft Drink Association, the American Bakers Association, the Chocolate Manufacturers Association of the U.S.A., the Biscuit & Cracker Manufacturers Association, and the National Confectioners Association. The member companies of these trade associations use about 70 percent of the sugar consumed in the United States. The Sugar Users Group also works closely with many other organizations, including the Cane Sugar Refiners, the Consumer Federation of America, Public Voice, and the Food Marketing Institute. Thus, we work in close conjunction with American industrial and individual consumers of sugar.

Recently, the American public has become more and more aware that there is real trouble down on the farm. However, those of us who have grown up in rural America have been concerned for some time. This concern is related, not only to the well-being of "farm folks," but also to what tragedy in rural America can mean to our entire country.

As you in Congress struggle with the problem, there is every indication that you, and the Administration, are assessing and reassessing the value of and reasons for each of the variety of agricultural programs which are now public law. We assume that you will also be concerned about the interrelationship of these programs and the impact each of these programs has, not only upon the specific group of farmers involved, but also the impact each of the specific programs has upon over two hundred million Americans and the overall well-being of our country as a whole.

We hope that you will carefully analyze our present sugar program in this regard. It is with this goal in mind that we feel privileged and grateful to you for having the opportunity to share our thoughts with you today. As representatives of those Americans who consume the vast majority of sugar in this country, our testimony today is not directed at what specific ingredients should be contained in the recipe for a proper national sugar program. We realize that there are differing views on this subject and that you who have the legislative responsibility in the agricultural field must participate in the give and take which is always involved in the consensus making required for any important legislative effort. We will be glad to present our best judgments as sugar users on what specifics should be contained in our national sugar program at a later date for your consideration. However, today we prefer to stress certain basic principles which we believe should relate to all farm crop programs, sugar as well as others.

First, we believe that each farm program should be market-oriented. One of America's greatest strengths is our ability to produce food. No other nation in the entire world can equal our agricultural strength. This is an invaluable national resource and we should recognize it and use it economically and strategically. The key to success for U.S. farmers is expanding markets for their goods. Every farmer would rather sell his product for a profit on the free market than receive subsidies.

Unfortunately, some of our agricultural policy has contributed to making our agricultural products unattractive on world markets. In addressing the Farm Bill this year, I am sure that finding ways to promote exports will be one of the most important tasks that you undertake. We hope that you will consider the impact of the sugar program upon these efforts to expand world markets for our agricultural products.

As you know, our current sugar program is not market-oriented. Further, it stands in the way of developing foreign markets to their fullest potential for producers of other commodities. This is so because the program lessens the willingness and the ability of sugar producing nations to import our agricultural products. Since the program was enacted in 1981, the strict import quotas employed to support domestic sugar prices have caused a 60 percent reduction in imported sugar. Further dramatic reductions can be expected if the sugar program continues on its present course. For many nations sugar is one of the most important cash crops. Unless those nations can sell sugar to the United States, they can't earn dollars to buy our products. Further, the sugar quotas provide a very strong incentive for nations to retaliate against our products.

Let me illustrate this with an example. In 1981, Brazil exported 1.09 million short tons of sugar, valued at $388 million, to the United States. At the same time, it imported 3.9 million short tons of American wheat and corn, valued at $639 million. This year, Brazil will be permitted to ship only 368 thousand tons of sugar to the United States, valued at $145 million. If the import quotas on sugar cause that nation and other similarly situated nations to reduce imports of U.S. grain, as a retaliatory move or due to economic hardship, the American grain farmer will lose a very important market for his products and our efforts to promote exports of farm commodities will be stymied. In addition, the United States sugar program, which assists a relatively small number of American farmers, is utilized as a rationale by many other nations to deny access to their markets to the hundreds of thousands of American farmers who produce corn, soybeans and wheat.

Mr. Chairman, a second and very important principle we hope you will consider in your deliberations on this year's Farm Bill is the notion of consistency and equity in all our farm programs. We do not believe that our policy should discriminate in favor of or against any one commodity. Farmers should make the decisions as to which crops they grow based upon considerations of efficiency rather than government policy. Further, there should be equity in the treatment of farmers, no matter what crop they are able to produce.

Unfortunately, Mr. Chairman, the sugar program as it currently exists falls far short of this principle. Although there are less than 14,000 sugar producers in the United States, a mere handful compared to 446,000 wheat producers or 715,000 corn farmers and 511,000 soybean farmers, we enacted a program in 1981 which discriminates very much in favor of the sugar producer and against those who produce other commodities. This has led to inequity and distortions in planting decisions. I urge the

Committee to compare the returns to those farmers who grow sugar to the return of those farmers who grow other crops. For example, during 1982 in Minnesota and North Dakota, return over variable costs from sugarbeets was $411 per acre, while the return for corn was $121 per acre. In Louisiana, return for sugarcane was $458 per acre, while the return for soybeans was only $69 per acre. We ask the Committee to consider whether this is fair and whether it makes for good agricultural policy.

As a third principle, Mr. Chairman, we believe that agricultural policy should not place undue hardships upon the consumer or cause excessive economic distortions in our domestic economy. You will not be surprised, Mr. Chairman, to hear that we believe that the sugar program also is at odds with this basic principle.

The sugar program, based upon quotas, has been a tremendous burden on the consumer. A 1-cent rise or fall in the price of raw sugar results in a change of $257 million in the wholesale cost of caloric sweetners in the United States and an impact of at least $300 million on consumers due to mark up practices at the retail level and the price umbrella provided to HFCS and low calorie sweetners. Further, the sugar program forces U.S. consumers to pay premium prices for sugar on both ends of the sugar-supply cycle. First, since support levels are often far above world values, as is the present case where the world price is less than 5 cents and the domestic price is just under 22 cents, consumers' food costs at retail are higher during world surplus periods than they would be if prices were supported at lower levels or not at all. Second, U.S. consumers also pay high world prices when sugar is scarce, since the U.S. program does not provide for storing reserves or for price guarantees which might provide protection against short supplies and high prices in other times. As you know, Mr. Chairman, the effect of this program is particularly burdensome to the poor who spend such a high percentage of their income on food.

Further, Mr. Chairman, sugar quotas are creating tremendous economic distortions in the United States. Because of high sugar prices, many food and beverage manufacturers have substituted corn sweetners for sugar and sugar's share of the domestic sweetner market has declined by more than 30 percent. Thus, the U.S. sugar program is actually driving both U.S. and foreign sugar producers out of the sweetner market. At the same time, manufacturers of such products as chocolate find it difficult to compete with foreign products made from low-priced sugar obtained by foreign competitors in the world market. If the current sugar program is maintained, these manufacturers may have no alternative but to relocate their facilities outside of the United States, with the consequent loss of jobs and manufacturing capacity. In addition, cane sugar refiners are closing down one after another because they cannot get adequate supplies of raw sugar. Clearly, the sugar program is not only having an adverse effect on all consumers of sugar, but also is detrimental to segments of our economy which employ many more than the 14,000 sugar producers which the program protects.

Finally, Mr. Chairman, we think it is an essential principle that the nation's agricultural policy not work at cross purposes with our nation's foreign policy. The current sugar program is contrary to the basic thrust of American foreign policy, particularly in Latin America and the Caribbean.

By enacting the Caribbean Basin Initiative and through direct foreign aid programs, the United States made a commitment to do everything in its power to stabilize the economies and political systems of our friends in the Caribbean and Latin American countries. We initiated these programs because it was in our overall national interest to do so. Yet, by decreasing sugar quotas our sugar program takes away benefits which the citizens of these nations can provide by their own labor more quickly than we can give them benefits from U.S. Government programs.

Carlos Despradel, Ambassador of the Dominican Republic to the United States, clearly described the problems created by the U.S. program. Commenting on recently reduced quotas, he stated in October 1984:

> This reduction surpasses in amount the benefits that my country received with so much enthusiasm barely one year ago, with the implementation of President Reagan's Caribbean Basin Initiative, which promoted the elimination of the import duties on sugar imports from the nations of this region...
>
> Faced with this dilemma, I want to make the following observations: If no way is found to change the actual sugar policy, the protection of domestic sugar producers will result inevitably in the breakdown of sugar producers in neighboring countries like the Dominican Republic, with all the consequences that this could entail for the stability of the region...

To sum up, we believe that the sugar program should be market oriented and designed in such a way as to promote the development of new markets for agricultural products. The program should be fair and equitable in the scheme of our other agricultural programs and not distort planting decisions made by farmers. The program should not create undue hardships for consumers or excessive economic distortions in the domestic economy. Finally, the program should not undermine our efforts to stabilize the economies and political systems of our allies in the Caribbean and Latin American nations.

Unfortunately, as the program is currently structured, it violates all of these principles. Farmers who grow crops other than sugar are finding it more difficult to export commodities because of the weakened condition of our sugar producing trading partners who do not have the dollars to buy our crops. Sugar producers are receiving an inequitably high rate of return for their crops. Efficient domestic industries are jeopardized as high sugar prices have negated their normal competitive advantage. Important neighbors and allies who efficiently produce sugar are seeing the economic foundation of their countries shaken. Only the 14,000 sugar producers have benefitted.

Mr. Chairman, we believe that the sugar program needs substantial reform. We will be making suggestions in the form of a specific proposal in the very near future. We would welcome the opportunity to work with the Committee to correct past mistakes by enacting an equitable market-oriented sugar program which will benefit the nation for years to come.

STATEMENT
OF THE
MILK INDUSTRY FOUNDATION
AND THE
INTERNATIONAL ASSOCIATION OF ICE CREAM MANUFACTURERS

I am E. Linwood Tipton, Executive Vice President of the Milk Industry Foundation and the International Association of Ice Cream Manufacturers, on whose behalf I am appearing today.

The Milk Industry Foundation (MIF) is the national trade association for dairy product processors--ranging in size from single plant operations to multi-plant corporations with a myriad of interests. Member companies represent over 80 percent of the domestic processing industry. MIF member companies number nearly 300, and are located in all 50 states and over 20 foreign countries. U.S. members operate over 1,000 plants, which process 85 percent of domestically consumed fluid milk and fluid milk products.

The International Association of Ice Cream Manufacturers (IAICM) is the trade association for manufacturers and distributors of ice cream and other frozen dessert products. IAICM's 320 members operate over 1,110 plants and distribution centers natonwide, and manufacture approximately 85 percent of the ice cream consumed in the U.S.

The members of both associations use about two-thirds of all the milk used in the U.S. to process the milk and ice cream products they produce.

It is a pleasure for me to appear before this Committee today to testify about the 1985 Farm Bill.

Milk processors and ice cream manufacturers are most interested in maintaining a healthy and viable agricultural economy. A healthy agricultural sector is in the best interest of farmers, processors, consumers and the country.

As milk, ice cream and dairy food processors, our member companies are particularly interested in an adequate supply of milk at prices which are consistent with market supply and demand. We want support prices that bring about ample supplies of milk, but not excessive surpluses. This, however, has not been the case in the dairy sector, nor generally in the rest of agriculture in recent years. The cost of most agricultural commodities has been in excess of that which is necessary by virtue of the fact that surpluses exist. At the same time, there has been a drastic change in the financial health of some segments of our agricultural economy and in the financial position of American farmers. In our opinion, these two issues should not get confused. They are two separate issues and there are two separate solutions.

The credit and financial problems are just that, credit and financial problems that deserve close scrutiny and attention. The future of American agriculture and the American food industry, however, is dependent on a long term national agricultural policy that permits continued gains in efficiency and the ability to pass these gains to consumers to the extent that they are manifested in lower costs. In recent years, much of the gain in farm productivity did not result in lower costs largely due to the tremendous and rapid increase in agricultural land values. Increased land values in many parts of the country offset the lower costs from the increase in efficiency.

In our opinion, these developments were largely the result of our agricultural and tax policies. It is time to make the needed reforms and to chart a course for agriculture and the food industry on which prudent businessmen, whether farmer or food processor, can make investments and know that the rules (policies not prices) will remain the same.

We applaud Secretary Block's efforts to lead in this effort. I must, however, point out that in the case of milk our members think that the Administration may be going too far, too fast, and in the case of sugar, not far enough, nor fast enough. Nevertheless, we think the principles he has enunciated certainly take us in the right direction and deserve careful consideration as the guiding principles for 1985 agricultural legislation.

We believe it is extremely important that the Congress establish farm support mechanisms that will provide a base for many years. Farmers and processors need policy guidelines on which to make needed long term investments in plant and people. Certainly in the case of dairy we have not had this. Seven separate pieces of dairy legislation were passed by the Congress in the past four years. This clearly demonstrates that any new policy must provide sufficient administrative flexibility and discretion to let short term adjustments be accomplished by market prices and not by Congress.

Although the term "market oriented" is a much abused term, we firmly believe it still must be a meaningful element to guide future agricultural policy. We believe that laws establishing price supports, target prices and loan rates must permit and take into account market price variability more than they have in the past. Again, this means that short term adjustments should be dictated by market prices and not by artificially high support prices, quota plans, paid diversion programs or other supply control schemes.

We realize that the needed changes for the long term health of our agricultural economy cannot be accomplished overnight for most commodities, but the direction towards more market oriented farm price supports should be clearly established. We think for most of agriculture, changes made over a reasonable period of time will make the necessary adjustments more palatable and less disruptive to the economy. There are, however, some commodities that the transition can be made for more quickly than others. Sugar is a case in point.

The sugar program has not only distorted the production of cane and beet sugar in this country, it has also artificially created a subsidized corn sweetener refining industry (not corn growers). The U.S. sugar program has decimated the sugar refining industry in the U.S. and has destabilized the economies of our closest allies in the Caribbean basin and Latin America. The sugar program can be singled out as the most inequitable of our farm support programs.

Equity among the various commodities should be a policy goal of the new farm bill. This, too, would require a transition period for most commodity programs, but at the end of a specified period, commodities should receive the same relative levels of support. The price support program for milk should not distort the economic decisions of dairy farmers nor give dairy farmers an unfair advantage over other agricultural enterprises. Milk price supports should set dairy prices so that the rate of return to dairy farmers is not significantly different than alternative dairy enterprises.

One of the reasons we have accumulated large dairy surpluses in the past several years is because dairy price supports have held milk prices at much higher levels than other farm alternatives. In some respects, it has been financially more rewarding to sell feed grains in the form of milk.

As noted earlier, the same situation is true for sugar. The rate of return to sugar growers has been considerably greater than they can get from soybeans or corn. This has led to distortions in both the U.S. sweetener market as well as the world market. These distortions should be avoided if we are to have a consistent and equitable agricultural policy.

One last point that I would like to make, particularly in the case of dairy, is that any new policy must provide the flexibility and discretionary authority necessary to make adjustments in response to the introduction of production technologies that are imminent. The commercial use of bovine hormones, for instance, could increase productivity per cow by as much as 20-40 percent, according to some researchers. Developments of this magnitude would have a profound effect on the dairy industry and dairy policy, and provisions must be made in the farm bill to account for this.

There are no doubt other elements that should and will be considered in deliberations on the 1985 Farm Bill. These are some of our ideas that we think are extremely important.

I thank you for the opportunity to appear before this Committee today.

PUBLIC VOICE
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STATEMENT OF ELLEN HAAS

EXECUTIVE DIRECTOR, PUBLIC VOICE FOR
FOOD AND HEALTH POLICY

BEFORE THE
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES

March 21, 1985

I am Ellen Haas, Executive Director of Public Voice for Food and Health Policy, a consumer research, education and advocacy organization. I am particularly pleased to be here today because I represent a constituency that has long been underrepresented on farm issues--consumers.

We have been hearing for months that farmers are in trouble. We know that some rural communities are in trouble too. We have heard that the costly dollar is reducing needed foreign markets for our farm products. We have heard that the Agriculture Departments--from Earl Butz' to John Block's--have sold out farmers by encouraging them to overproduce. We have heard that soaring interest rates have made loans unpayable. And we have heard that our complicated price support structure has made things--at the same time--better and worse.

What we have not heard about in all of this discussion is the American consumer, the person who buys farm products. We have heard practically nothing about how food and agriculture policy affects this ultimate user. The consumer has been left out of the picture almost entirely, as if he or she had no stake at all in decisions about our food and farm policy.

Clearly, this is not, and cannot, be the case. The American consumer has a critical stake in food and agriculture policy. From the way our food is grown to the price we pay for it affect us all in profound ways. It is time that food and agriculture policymaking became a broader, more democratic process that considered more than the opinions of the special interest groups who have traditionally come before this and other Committees and individual members with their vested views.

I would like to take just a few minutes today to tell you why this year's Farm Bill is important to consumers, and what we hope we can persuade you to do about it.

Consumers are primarily concerned about two basic aspects of this Farm Bill:

1) Costs--both to taxpayers and--through inflated food prices--to shoppers in the marketplace. In 1983 the taxpayer cost of farm programs was approximately $25 billion, a figure that greatly exceeded the cost of such programs to the taxpayer in the past. Meanwhile, the cost to consumers at the supermarket continues to rise in certain commodity sectors. As a group, we spend $300 billion annually for food. While the average spent is 16 percent of personal disposable income, some pay much more. A significant portion of Americans--the poorest and most elderly among us--spend close to 40 percent of income on food. For these groups in particular, even slight rises in food prices can be devastating. That is why consumers have a real money stake in programs such as dairy, sugar and peanut price supports. These programs raise the floor of marketplace prices for these basic commodities and serve to elevate product prices further when production and consumption are not in balance.

I will take a harder look at two of these programs--dairy and sugar--in a moment.

2) The second major concern consumers have about this Farm Bill can be summed up in one word, I think, and that word is balance. In addition to the enormous costs passed on to American consumers and taxpayers by the farm programs, there is an intrinsic lack of balance that haunts, annoys and even offends us as consumers. Consider, for example, the lack of balance in the distribution of price support benefits. In 1982 less than 5 percent of the nation's farms produced nearly 50 percent of all farm products sold. The smallest 70 percent, on the other hand, produced less than 13 percent of total product sales. In addition, larger farms are able to maintain greater profit margins than are smaller ones (while large farm production expenses were 90-100 percent of gross income in 1981) and large farms earn significantly more than average family income (small farms earn less). Yet the bulk of all government payments is sent to large farms. This is because government benefits are allocated on the basis of amounts produced, thus small farmers who sell less but have lower incomes and greater expenses derive little benefit while large farmers who have high incomes and lower expenses receive most of the program benefits. Both the dairy and sugar price support programs have these kinds of off-balance benefits.

Consumers are concerned with other matters, of course. We support strong conservation measures and effective, ample reserves. We support a strong food stamp program. But our basic concern goes to the heart of what is wrong with current farm programs: they are too costly and they are unfair.

As flawed as they are, however, we find ourselves in 1985 trying to figure out how they could work better. A Public Voice board member, Susan Sechler, describes why: "Everybody recognizes the farm programs as principal instruments with which we can directly and quickly help producers compete and survive in the longer term if we choose to. And we have some clear responsibility to do this."

I agree. We as consumer representatives have the responsibilty to help shape more effective food and agriculture policy. Our current agenda is the Farm Bill. Its major disruptive components are the price support programs. We at Public Voice have been working on the question of how they can be fairer and more reasonable while giving a fair shake to farmers, keeping our food supply stable, and getting us back into foreign markets. That is a tall order. We are trying to fill it by taking on parts of the problem--primarily the dairy, sugar, and peanut price support programs--those that impact on consumers the most. And we are working on those programs by enlarging our work force, if you will--by alerting and engaging that vast network of concerned citizens across the country who care and want to register that caring. In our efforts for more equitable, workable dairy and sugar programs, we are involved with dozens of consumer leaders and large constituencies who have formed our Farm Bill Network. Together we seek to form a voice that you will be hearing from more as this Farm Bill proceeds.

In order to effectively illustrate consumers' concerns as well as our contribution to this dialogue, I would like to spend just a moment higlighting the problems and solutions with the sugar and dairy programs.

Each in its own way demostrates the costs and inequities of our current farm programs. I will make key points about each of them.

Sugar

-- The sugar program is the most inflationary subsidy program, directly affecting nearly every food in the marketplace. Consumers annually consume 120 pounds of sweeteners every year--about five ounces a day--in everything from peanut butter and ketchup through salad dressings to cookies, cakes and cokes. To the extent government raises the price of raw sugar through its subsidy program, it directly raises food prices for consumers. When food manufacturers pay more for this ingredient, consumers pay more. In the U.S., we pay four times the world price for our sweeteners.

-- Other commodity programs such as grains, don't work as a "regressive tax" in the marketplace since their payments are drawn from the Treasury. But the cost of sugar is "hidden," placing disproportionate burdens on the poor and those who spend a larger percentage of their income on food.

-- Of all the commodity programs, sugar lavishes the most benefits per average producer. Sugar is produced on less than 17 percent of farms in America and fewer than 14,000 producers are involved. Yet each of these producers receives $200,000 per year in comparison to the what subsidy program, which pays 900,000 farmers $10,000 per year and the dairy program, which pays 300,000 farmers an average of $9,000 per year. In contrast, the federal school lunch program costs taxpayers just over $100 per child enrolled.

Dairy

Consumers have an enormous stake in U.S. dairy policy. They spend $44 billion annually on diary foods and depend on them for protein, food energy, and a broad range of other nutrients. Dairy products thus play a unique role in the nutritional life of our nation. In fact, more pounds of dairy products are consumed than either grain products or meat. And for the poor, who spend up to 40% or more of their incomes on food, the price of dairy products is an issue of critical importance.

The fundamental problem which this Committee must address as it formulates the 1985 dairy program is that the supply of milk exceeds by a significant amount what can be consumed. Ther are many causes for this imbalance, amoung them the rapid increases in productivity per cow of the nation's dairy herd as contrasted with the relatively stable demand for dairy products.

Current dairy programs have not acted successfully to bring supply and demand into harmony, and both farmers and consumers have reason to be dissatisfied. The extent of the program's failure is suggested by the fact that of the $17.5 billion spent by the Commodity Credit Corporation on dairy price supports over the past 34 years, 48%--that is pratically half--has been spent during the last five years. In light of the pressing need to reduce the federal deficit, these vast expenditures of taxpayer funds cannot be justified.

Our projections show that continuation of current policy, even with supports lowered twice this year to $11.60 per cwt. and frozen there for the coming four years, is not likely to balance supply and consumption. The current prospects for abundant feed supplies mean that unless other costs of production increase more than expected, the huge surpluses will persist, at great cost to taxpayers.

The temporary 1983 diversion program did not alter this longterm production outlook. Though the number of dairy cows declined somewhat during 1983-84, this was done through a culling process that has produced relatively young herds, with superior capacity. Moreover, the recent decline in the number of dairy cows had more to do with the higher feeds costs caused by the PIK program and drought than with diversion program. For these reasons, we opposed the diversion program and would contiue to oppose any attempt to extend it.

In our view, the equitable solution to the oversupply problem lies instead in reducing the level of price supports. We do not advocate an end to price supports because we believe that some governmental intervention may be needed to assure stable supplies. However, the price supports must be reduced below the $11.60 level until, through a gradual process, the price reaches a point where supply and demand are brought into reasonable balance.

We believe that such a policy would be simple, effective, and reasonable in cost, and that it would provide crucial protections for both producers and consumers.

(The pamphlet, "A Consumer's Guide to Sugar Prices" is held in the committee files.)

Testimony of Gary D. Myers
The Fertilizer Institute

Mr. Chairman, my name is Gary Myers and I am president of The Fertilizer Institute.* I appreciate this opportunity to present my industry's concerns regarding the faltering economic condition of American agriculture and our perspective on ways to improve our nation's agricultural industry.

There is little doubt that America's farm sector has been undergoing a major transformation in recent years. While USDA tells us that net farm income is improving, the figures show that much of that is due to rising off-farm income rather than any solid improvement in market prices. Exports have yet to demonstrate real recovery; interest rates have choked farmer purchases and capital investment; and prospects for improvement appear dim for the foreseeable future.

The unfortunate picture which is being painted is that of an industry which is stagnating from the standpoint of profit potential. Farming as a whole is becoming an increasingly undesirable and unprofitable profession.

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*TFI is a voluntary, non-profit association, whose members represent approximately 95 percent of the domestic fertilizer production in the United States. TFI's membership includes: producers, manufacturers, traders, retailer dealers and distributors of fertilizer materials. Its members are major shippers, receivers, and exporters of fertilizer and fertilizer materials and are a vital link in the nation's agriculture system.

Fertilizer sales are directly related to the state of the farm economy. And, we in the fertilizer industry are destined to continue suffering along with the American farmer unless some radical changes occur in the way we view the agricultural marketplace and in the policies which govern our nation's agricultural development.

The Fertilizer Institute believes that we as a nation have the capacity to change the current agriculture situation. We believe that the farm programs of the '80s and '90s must respond to the realities of a new agricultural structure.

Basic to solving farm economic problems is the need to provide consistent export market potential for farm products. TFI has made this effort a centerpiece of its farm policy strategy. As a result, we worked to promote the concept of an independent bi-partisan commission to develop marketing solutions to our export stagnation. Congress agreed to set up this 35-member commission and, its interim report, due March 31, should provide some fresh ideas to improve agricultural exports.

The Fertilizer Institute hopes to forward some other fresh ideas to Congress as well -- ideas which will help agriculture move away from boom-and-bust cycles while at the same time reducing government's manipulation of the marketplace.

One such idea is what we like to call a volume bonus program. In short, the objective would be to avoid the kind of grain surplus problems which produced the PIK program by capping the amount of grain in the farmer-held reserve. When the level is reached, America's loyal contract customers would be awarded additional or bonus grain as a reward for contracting to purchase certain additional quantities of grain. Supply would be held in check...customers would have new faith in America as a reliable supplier and business partner...and America's farmers would not be penalized for their amazing level of efficiency and productivity.

Never again -- in a world where millions are starving -- should a farmer feel forced to virtually quit his job of producing food...and remove some 80 million acres of rich farmland in the process.

For too long, our government's policies have treated agriculture as some isolated activity we must protect. But, the so-called protection has ultimately created new problems for the entire agricultural system.

It's time to recognize that -- while less than 3 percent of Americans are farmers -- 21 percent are involved in agriculture. One out of every five workers is employed in some phase of this industry. It is the nation's largest industry, and its single largest exporter. Its $1 trillion in assets is more than the combined assets of the steel, automobile, and housing industries.

What all this means is that not just the farmer is in trouble -- all of agriculture is in trouble. Equipment people, seed people, fertilizer people, and agriculture bankers are being challenged like never before.

The situation is compounded by the lack of a consistent, flexible agriculture program. The 1983 Payment-In-Kind program, for example, was intended as a short-term fix to growing surplus problems. The result was removal of 80 million acres from production, and an economic loss to the fertilizer industry of $2 billion.

The bottom line is that we at TFI aren't looking for another Farm Bill to be passed by Congress in 1985. We expect and need a comprehensive national agricultural policy.

The centerpiece of The Fertilizer Institute's legislative goals is development of a strong export promotion and trade enhancement title in the 1985 Agriculture Bill. Key to the success of any long-term approach to farm policy must be a recognition that sufficient resources must be directed to improving U.S. farmer competitiveness on the world market. We are convinced that any effort to allow the market to dictate pricing levels cannot be attempted without a strong export promotion and market expansion effort.

Our organization's legislative goals recognize that world market expansion offers the best hope for a sound market-based domestic agriculture. We must redefine the nation's agricultural policy from one of supply management to one of market promotion. Such an approach will help improve farm income and ultimately serve the best interests of the entire agricultural sector and the nation as a whole.

Mr. Chairman, an agricultural trade and export title has often been an afterthought by legislators and administration policymakers in past farm bill discussions. These programs are designed to encourage demand for agricultural commodities, but there never seems to be enough emphasis on spending authority for these important tools of export expansion.

Standing as a major deterrent to expanding U.S. agriculture exports is the application of cargo preference laws to export enhancement programs for agricultural products. The additional cost associated with U.S. flag ships discourages any innovative ideas to help U.S. agriculture compete with subsidized competitors or the inflated value of the U.S. dollar. The recent ruling by the U.S. District Court which applies cargo preference requirements to USDA blended credit programs is really another form of embargo on the expansion of farm product exports.

We urge Congress to act swiftly to enact legislation which exempts USDA market enhancement programs, administered by the Commodity Credit Corporation, from cargo preference laws.

To summarize my comments, our industry supports a strong, demand-oriented agricultural export market expansion program. We strongly support efforts which improve the opportunity for increased farm income, including:

- Providing the tools needed to improve U.S. farmers competitiveness on the world market (and that includes overcoming all unfair trade practices);

- Enhancing the image of the U.S. as a reliable supplier by guaranteeing existing and future grain agreements against embargoes;

- Expanding funding for export credit guarantees for developing nations, and broadening food donation programs and famine relief;

- Providing bonus agricultural commodities at no cost to foreign buyers who contract for specified quantities of current and future grain needs;

- Requiring a congressionally-mandated agricultural trade impact statement for all legislation or government actions affecting agricultural exports; and

- Exempting new export credit expansion programs from cargo preference laws.

Mr. Chairman, thank you for the opportunity to share our industry's agricultural policy views. We are committed to achieving positive results in our policy efforts, primarily because it will prove too costly for all Americans if we accept the status quo at this critical juncture in agriculture.

Testimony Presented by:

WILLIAM S. ARMFIELD

1985 President

National Fertilizer Solutions Association

Thank you, Mr. Chairman and fellow distinguished members of the Committee on Agriculture. My name is William Armfield, and I am serving as 1985 President of the National Fertilizer Solutions Association (NFSA). Our Association represents more than 1,300 member firms involved with the fertilizer industry -- in excess of 75 percent of those firms are involved in the business as independent fertilizer retailers. These small businessmen, in particular, find themselves directly on the firing line with U.S. farmer customers. The economic peaks and valleys of our farmer customers have always dictated the parallel health of the fertilizer industry -- but it is especially so in these troubled economic times for our fertilizer dealers. I know this first hand, because I am a full time fertilizer dealer from Sedgwick, Kansas. I am here also today representing the thinking of the Fertilizer Organizations Council of the United States (FOCUS) -- the organization that brings together the voice of more than 40 State and regional fertilizer/ag chemical trade associations who work closely and in partnership with the NFSA. All of our members and the leadership of the FOCUS membership organizations have been surveyed since the first of this year regarding their opinions and suggestions on current agriculture bill specifics. The recommendations that I will bring forward to you today reflects the thoughts of those that we have consulted with who believe that agribusiness needs to participate fully in the process of designing this new four year legislation.

Before I present you with the specific recommendations in key policy issue areas that we feel that we have a stake in, I would like to recap for you the perceptions and feelings of those in our industry regarding where we believe history has brought us in the agricultural policy arena. In the short term, our members believe that the impact of the strong dollar, which severely impedes our agricultural export competitive position, coupled with high interest rates are the root problems of our immediate crisis condition. We also have a sense that trade barriers and subsidies are an immediate problem -- they also damage our competitiveness in world agricultural trade. On the longer-run perspective, we sense that the track record of more than 50 years of federal farm programs in the United States has turned sour on our domestic production capability in recent years. While federal farm programs over the course of those more than five decades have certainly served some important purposes, we believe that it is time for a change. The sacrifices have already been made by those in farming and agribusiness, and there is no denying that more sacrifices will undoubtedly be made long before the impact of new agricultural legislation can be felt at the grassroots. To quote the popular Reverend Robert Schuller, "It takes guts to leave the ruts". By the very nature of the independent thinking of our fertilizer dealer members, we support a turn toward more market orientation of U.S. agriculture -- coupled inextricably with a commitment on the part of the U.S. government to subsequently put our agricultural production machine on a level playing field with those who compete with us in international ag trade. Such a commitment to U.S. participation in world agricultural trade needs to include some assistance to compensate for the inordinant strength of the dollar brought on by high interest rates and other world economic factors, and a hard-ball approach to gross inequities being leveled upon our farmers/exporters by way of subsidies and trade barriers.

Turning quickly to the specifics of our policy recommendations to you -- we support a turn toward market orientation of federal farm programs -- with target and loan prices tied to a percentage of the rolling world market average price of a specific commodity. However, we believe that a legislative mandate also needs to be attached to such a provision (if it were enacted) to provide for a share of the money saved to the U.S. Treasury to be reinvested in U.S. agricultral competitiveness and export market development. This would include a very specific formula for transfer of government resources into the market development/export competitiveness arena. Likewise, we would be interested in examining policy proposals before the Congress that would call for an orderly, gradual, and equitable phase out of support prices. The Congress needs to recognize that a commitment to market orientation of federal farm programs is a substantial departure from the past and is a commitment on behalf of agribusiness to utilize our full productive capacity and let the cards fall where they may. In the event that our government or other governments around the world would choose to intervene in free market activities via embargos or additional subsidies/trade barriers, it would be the responsibility of the U.S. government to compensate agriculture in the United States for such actions immediately and without compunction. Without such guarantees, we would be opposed to giving up the safeguards of income protection and price supports for farmers and the agribusiness community which is part of our past history of federal farm programs.

We believe that attention needs to be given to the credit needs of American farmers, and that a close examination of current government programs, including the Farmers Home Administration participation in farm credit markets, needs close reexamination.

We support a transition to free market policies at the federal level which would exclude any consideration by government of production controls. At the same time, we do support diversion of fragile lands into soil conservation programs on a long-term basis and believe that such soil conservation programs can be effectively tied to federal farm programs.

We strongly suggest that Congress and the administration act rapidly to oppose all efforts to enforce U.S. flag-vessel cargo preference considerations that could impact our U.S. agricultural exports supported by government market development endeavors.

On the export front, we support expanded PL480 programs and world wide famine relief efforts, equitable agreements with trading partners, including a reexamination of trade and subsidy provisions under the General Agreement on Trade and Tariffs (GATT), development of a so-called "volume bonus export program", export credit guarantee and blended credit program implementation and expansion, and the reiteration of contract sanctity for export grain commitments. We believe that bilateral trade agreements are particularly useful when organized with centrally planned economy agricultural customers.

Finally, Mr. Chairman, I would like to offer a simplistic but important perception suggestion. It is our belief that the new legislation that you are now considering has much broader impact than simply at the level of farmer deficiency payments and loan programs. In fact, it effects all of us in agribusiness. Therefore, we strongly suggest that this Bill ultimately become known as the Agriculture/Farm Bill of 1985. In closing, I would also like to reiterate that while our organization and its members are market-oriented and believe that twist needs to be incorporated into federal farm programs so that the laws of supply and demand can more effectively drive our production machinery, that we be certain that such a move guarantees access to existing and developing markets both in the U.S. and around the world. A great danger exists in developing legislation that would only be a federal budget reduction measure -- with no attention given to the current agricultural economy crisis and the remedies that need to be brought about to help ensure that the free market can and will function for the most productive agricultural economy in the world right here in the United States. Thank you very much.

Robert J. Gray
Director of Policy Development
American Farmland Trust

Mr. Chairman, members of the Committee, I appreciate the opportunity to testify today.

The American Farmland Trust is a private, nonprofit organization dedicated to seeking solutions to conserving our soil, protecting our Nation's agricultural land base and promoting farming opportunities.

AFT will celebrate its 5th anniversary on August 15, 1985. In the time since its incorporation in 1980, the organization has enjoyed a rate of growth which reflects increased public awareness of the need to protect America's agricultural resource base, and confidence in the private sector, "middleground" approach which has been developed by AFT. The support of foundations, corporations, and more than 32,000 individual members nationwide has enabled our professional staff to pursue a three-part program which emphasizes (1) public information about the extent and consequences of agricultural land loss due to conversion and soil erosion, (2) technical and advisory assistance to governments and private organizations in the development of policies and programs for the retention of prime agricultural lands, and (3) demonstration of open market "conservancy" techniques for the protection of individual farms and rances which are threatened for the protection of individual farms and ranches which are threatened with conversion to non-agricultural uses, or loss of soil due to erosion

Working from our offices in Washington and field offices in Ohio, Pennsylvania, California, North Carolina and Michigan, the AFT staff has travelled to thirty states in response to requests for assistance, and has helped to protect thousands of acres of threatened farm and ranch land.

I am very pleased to have this opportunity to discuss with you a farm policy idea for the 1985 Farm Bill that will save the government money, help tens of thousands of U.S. farmers through the current economic crisis facing U.S. agriculture, and at the same time, do something we have never before succeeded in doing in our farm programs: significantly reduce the loss of topsoil on our Nation's cropland that is increasing our long-term costs of production and causing serious pollution problems in streams, lakes and other surface waters.

The idea is one you have probably heard a great deal about, Mr. Chairman--a soil conservation reserve. The purpose of the reserve is quite simple: to reduce the production of crops like wheat and feed grains which are now in surplus through the use of long-term contracts, under which USDA will pay qualifying farmers to convert erosion-prone croplands to sustainable uses. As we envision the conservation reserve, it will work in concert with a strong sodbuster bill to make farm programs more manageable and more efficient. It will also enable us to formally encourage the use of land within its natural capabilities. Today, I will confine my remarks to the conservation reserve--a critical part of the 1985 farm bill.

The conservation reserve is a cornerstone of a new, long-term agricultural policy which recognizes the fact that we are in a new, highly competitive, world economy. As the world's leading supplier of wheat, feed grains and other crops, we know we will have to respond to rapidly changing world economic conditions. Therefore, when we do need to adjust by reducing production here--as we periodically will--we need to make sure our policy process is not unnecessarily burdened with millions of acres of marginal cropland that inflates our farm program base acreage, makes it much more expensive to take land out of production than need be, and which accounts for most of America's soil erosion problem.

I first proposed such a program on May 4, 1983--almost two years ago, Mr. Chairman--in testimony before Chairman Ed Jones' Subcommittee on Conservation and Credit. At that time, we were in the midst of an 18-month, independent study of soil conservation, which was requested by Mr. Jones and his ranking minority colleague on the subcommittee, Congressman Jim Jeffords. This report, Soil Conservation In America: What Do We Have To Lose?, was the major product of that study. If I may, Mr. Chairman, I'd like to submit a copy of our report for the record, and provide a copy for each member of the committee.

As we looked at the whole range of soil conservation policy problems and solutions--at the federal, state, and local levels--we came back again and again to the same conclusion: unless something could be done to incorporate soil conservation goals into our major federal farm programs, we could not hope to solve our country's soil erosion problems. I am proud to say that our study helped lay the groundwork for several policy ideas you will hear a great deal about from a very broad range of farm, conservation, and environmental groups over the course of the farm bill debate.

Although we developed 23 specific conclusions in our report, the most important one by far was for the establishment of a soil conservation reserve. Since my appearance before Mr. Jones' Subcommittee, I have testified numerous times before committees of the House and the Senate. Each time, I have proposed that we make three important changes in the way we operate our acreage adjustment programs:

First, we need to move away from total reliance on short-term acreage reduction programs. The annual programs serve no real purpose. They do not significantly reduce production. Their cost is high and growing, yet they do little to bring long-term prosperity to agriculture. And they do virtually nothing for soil and water conservation. We need to reduce the production of surplus crops in a way that is fair and equitable to our farmers--but we should move toward multi-year land retirement programs, and away from the one-year crisis management we now have in agricultural policy.

Second, instead of allowing any and all land to be set-aside or diverted, we should selectively retire the fairly small acreage of cropland that is vulnerable to very high rates of soil loss. If we can do this it will solve some of our Nation's most serious erosion problems in a few years.

According to the 1982 National Resource Inventory, conducted by the USDA's Soil Conservation Service, on about 184 million acres of U.S. cropland--44 percent of the total--soil erosion from water and wind is occurring at rates which exceed the official USDA soil loss tolerance. Each year, a total of 2.6 billion tons of soil are eroded from this land. But most of this erosion occurs on a fairly small acreage. On just 42 million acres, where erosion rates exceed 14 tons per acre per year, we are losing approximately 1.3 billion tons of soil each year. In other words, about 50 percent of our "excess erosion" is occuring on just 10 percent of our cropland base.

The only feasible, affordable way to control erosion on this land is to convert it to sustainable uses such as grass or trees.

During the last two year, we at the American Farmland Trust have been hammering out the details of how we could implement a program--a soil conservation reserve program--under the umbrella of our commodity price support programs. We have already begun to work with the staff of this committee and the Senate Agriculture Committee to familiarize them with our work. We look forward to continuing that work, Mr. Chairman, to make sure that a farm bill is passed this year, and to make sure that when it is, it will include an effective conservation reserve program.

We have also been helping to build a very broad coalition of farm, environmental, conservation, consumer and religious groups who are equally committed to the concept of a conservation reserve.

Of course, the question in everyone's mind is, what will a conservation reserve cost?

The short answer is: the Conservation Reserve will cost much less than our current programs, even if reductions are made this year in the loan rates and target prices for the major crops.

The American Farmland Trust is analyzing the costs of various farm bill proposals, including a conservation reserve. Based on our preliminary estimates, we anticipate the following types of savings by establishing a 30 million acre soil conservation reserve:

First, deficiency payments to farmers would be reduced substantially because of the price-enhancing effect of retiring at least 15 million acres of wheat, 8 million acres of feed grains, 4.5 million acres of land now in soybeans, and 1.8 million acres of cotton over the next few years. Based on our calculation, continuation of the current program will result in deficieny payments to farmers of at least $18 billion over the four-year-life of the next farm bill. The price-enhancing effect of a 30 million acre conservation reserve would reduce those payments by about 30 percent over the period 1986-89.

Second, direct diversion payments to farmers also would be reduced, because the conservation reserve would retire erosion-prone land on a lowest-bid basis. We're substituting diversion payments--which are pegged to average yields and set at the national level now--for conservation reserve bids, which will be pegged to the productivity of the land farmers actually retire. Under current policy, we estimate diversion payments would cost over $5 billion total between the 1986 and 1989 crop years. The conservation reserve will cost just about the same amount--we'll still be putting cash in the hands of farmers, but we'll be doing it in a predictable, stable fashion. Also under the conservation reserve we will be retiring land for a period of ten years as compared to the current programs which set it aside on an annual basis.

Third, direct storage payments made through the Farmer Owned Reserve (FOR) will be reduced as well. Again, this is because the price boosting effects of a long-term reserve reduce the need for government-subsidized, farmer-held stocks. We estimate they may decline as much as one-fourth, a savings of at least $400 million over the life of the next farm bill.

In addition, we anticipate that soil erosion will be reduced by an average of 20 tons per acre per year on each of the 30 million acres in the conservation reserve. That is a total soil "savings" of about 600 million tons--a 24 percent reduction in our current "excess erosion" on all cropland. Naturally, a larger reserve of erosion-prone land would save even more. Interestingly, by comparison the Department's own evaluation of the 1983 program, which idled 76 million acres, showed soil savings of about 2 tons per acre--one-tenth of the amount that the soil conservation reserve would save per-acre.

In summary, the Conservation Reserve has major benefits to farmers, taxpayers, and the land. It will help in the transition we need in U.S. agriculture, not by eliminating farmers, but by helping them convert their marginal lands to a more sustainable and economic use.

I look forward to working with the Members of this Committee and your staff on the conservation reserve, sodbuster and other farm program reforms. At this time, I would be happy to respond to any questions you may have.

(The attachment follows:)

FUTURE POLICY DIRECTIONS FOR AMERICAN AGRICULTURE

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FUTURE POLICY DIRECTIONS FOR AMERICAN AGRICULTURE

I. INTRODUCTION

Governments throughout the world intervene in their agricultural sectors to achieve important social goals. This has been the case in the United States, where the farm sector has been heavily regulated for over 50 years with programs involving substantial public expenditures. That the farm sector has been able to maintain these programs and public expenditures is especially remarkable in view of the dramatic technological and economic changes and the continual shrinking of the farm population. The farm sector generally and certain commodity subsectors particularly have maintained effective political power proportionally far greater than their numerical strengths.

Ironically, this very success in capturing public expenditures at a time of serious fiscal concern and when the role of the federal government in all aspects of economic life is being closely scrutinized is prompting critical public appraisal of the continued need for farm programs. Congressional deliberations on a new "farm bill" in 1985 could produce fundamental changes in the programs, a result of reduced public willingness to continue spending large sums to operate them.

The farm programs were begun as a response to economic conditions during the Great Depression. At that time, fully one-fourth of the nation's population resided on almost seven million farms and their economic status was particularly distressing. The incomes of farm people averaged considerably less than one-half of incomes of the rest of the population. The efforts to raise their incomes were a major part of the Roosevelt New Deal Programs.

In the ensuing 50 years, farming has changed tremendously, more in that relatively short time span than in the previous 2,000 years. It has undergone both mechanization and science "revolutions"--the substitution of mechanical power for animal power, and widespread adoption of plant and animal advancements and chemical fertilizer and pesticide formulations--and a transformation in markets to become a major world supplier of food products. The migration of people from agriculture was so large that the farm population has fallen to 5.6 million today, 2.4 percent of the total, and the farms have been consolidated into 2.4 million units. Moreover, the once wide disparity between farm and nonfarm incomes no longer exists. In short, farming has been transformed from a rural way of life, as it was before World War II, into a high-technology, sophisticated business. Much of the uniqueness it once had now is gone, though not forgotten.

The fundamental changes in farming over 50 years in combination with recent developments are prompting increasing discussion of whether there is sufficient justification for a continued large role for government in agricultural production. Beyond that, however, is a broad consensus that the farm programs are not working well and should be modified. This unusual and more fundamental examination of the role and purpose of the farm programs at this time stems from a combination of forces and events including:

- o the evolution of the farm sector itself, especially the growing concentration of production among fewer and fewer large farms.
- o the recent tremendous increase in cost of the programs, while concern mounts over the expanding federal budget deficit--in fiscal year 1983 the more than $28 billion cost of the programs was the equivalent of 16 percent of the deficit.

- serious fractures in the political coalitions that favored the programs. Recent program changes also have generated considerable ill will and disharmony. The dair program enacted in 1983, for example, pitted various agricultural groups against one another for the first time in recent memory. Beyond that, the dairy program and the massive Payment-in-Kind (PIK) program--both paying farmers to not produce--have eroded the nonfarm goodwill that the farm sector has long enjoyed. Paying farmers to not produce always rankles the public and especially when huge payments are allowed to go to a few very large farming operations. Also, the difficult issue with serious moral overtones of a rich country paying farmers to not produce when there remains widespread hunger in many parts of the world is never far from the surface of such discussions.
- the PIK program which idled 16 percent of the cropland significantly affected agribusiness and livestock groups, and has served to bring them into the farm policy debate.
- the always present questions relating to the use and conservation of land and water resources and impacts of agriculture on the environment have assumed a greater urgency.
- growing dissatisfaction with program administration--for example, there have been six separate wheat programs announced in the last two seasons. The economic uncertainty farmers face actually is heightened by government action rather than reduced as is the intent of the programs. The Congress is partly to blame, enacting a four-year farm bill, then proceeding to modify it every year, often several times.

Even beyond these factors is the continuing belief by many that farmers and the country would be better served by a much reduced government involvement and a far greater reliance on market forces. This view has become much more prevalent with the heavy dependence on foreign markets and growing evidence that the programs are interfering with the competitiveness of some products in those markets.

It is against this general backdrop that the debate on new legislation is beginning and against which the Congress will attempt to fashion legislation replacing the expiring Agriculture and Food Act of 1981.

This project attempts to address many of the issues of current concern, particularly the fundamental question of whether there any longer is justification for government intervention and if so, what specific problems are to be addressed and how government might best address them.

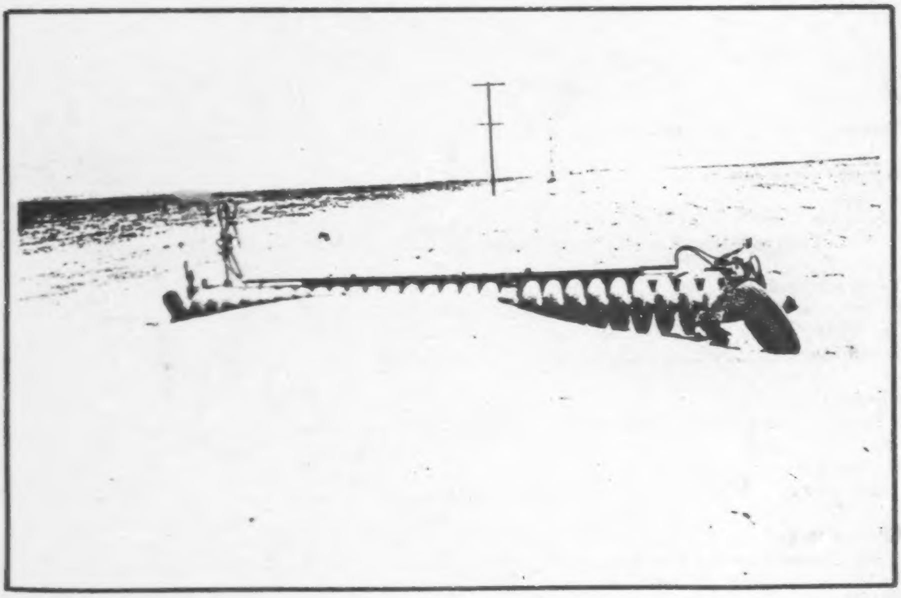
This report is organized into six major sections. The second examines the evolution of the farm sector over time and describes its major characteristics today in a policy context. The third section explores the economic environment for agriculture and the food system today, especially focusing on likely market growth relative to the production capacity of the sector. The fourth section briefly treats the evolution of agricultural policy and assesses current policy in the context of the present day environment. The fifth section draws upon the results of the preceding section in an effort to frame contemporary policy problems and objectives, and suggests a more appropriate rationale for public policy.

The final section, again building on the previous analysis, develops a policy option that is deemed apropriate for addressing current and future problems and compares it to a continuation of current policy instruments. This option is not advocated as a preferred one, but rather is presented as an illustrative starting point for subsequent discussion, refinement, and improvement. The appendix contains much of the empirical detail.

(The complete report is held in the committee files.)

SOIL CONSERVATION IN AMERICA

What Do We Have to Lose?



**Prepared by
the American
Farmland Trust**

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Executive Summary

Soil Conservation In America: What Do We Have To Lose?

One of America's most serious environmental problems, soil erosion on U. S. cropland, can be substantially solved at a reasonable cost, within the decade. Accomplishing this goal will require important changes in the current Federal programs for supporting crop prices and farm incomes. It will also require reforms in soil conservation programs established in the U. S. Department of Agriculture (USDA) a half century ago. Unless these fundamentally new approaches to Federal farm and conservation policy are undertaken, soil erosion will continue to cost the United States billions of dollars annually in damage to agricultural productivity and water quality. Perhaps the most tragic aspect of this extensive, but insidious deterioration and misuse of America's most valuable natural resource, is that it is largely avoidable.

The American Farmland Trust arrived at these conclusions in the course of an eighteen month study. The research involved extensive analysis of recent information — much of it previously unpublished — on soil erosion, conservation measures, and USDA conservation programs; hour-long personal interviews with 700 farmers in six states; the commissioning of 22 technical papers by widely-regarded experts on a variety of conservation topics; and consultation with leading conservationists, including a special 24 member advisory panel for the project.

Four central findings emerged from this research.

1. *First, a disturbingly wide gap exists between the magnitude of soil erosion problems on the 413 million acres of U. S. cropland, and the degree of erosion control afforded through present government policies and programs and the efforts of individual farmers.* For example, even at a fairly high level of funding, the National Conservation Program announced by Agriculture Secretary John Block late in 1982 is projected to reduce national soil loss by less than 2 percent by fiscal year 1987. In general, USDA's traditional conservation programs seem to be having a modest effect on soil conservation. It has proven to be very difficult, politically and administratively, for USDA to redirect existing conservation program resources among geographic areas — for example, to areas where erosion problems are severe.

2. *The first reliable, nationally consistent estimates of soil erosion in the United States, obtained by a USDA survey in 1977, revealed that a very large share of the country's soil erosion is associated with a relatively small proportion of the land.* This observation was found to be true of the major types of erosion — wind, sheet and rill — and applies to all land uses (cropland, rangeland, pasture and forest). In 1977, about 38 million acres of non-irrigated cropland — 11 percent of the total — eroding in excess of 15 tons per acre annually, accounted for 1.328 billion tons of soil erosion, or about 53 percent of the total sheet, rill and wind erosion on nonirrigated cropland. Taken alone, sheet and rill erosion, the most serious forms of soil loss on U. S. cropland, are even more highly concentrated: in 1977, 25 million acres, just 6 percent of total cropland, accounted for 43 percent of the total tonnage of cropland sheet and rill erosion (828 million tons per year). Although there are important exceptions, AFT's review of the research on erosion's effects on soil productivity and off-site damages leads us to conclude that most of the damage being done by erosion in the United States is associated with land experiencing high rates of soil loss. Typically, those rates exceed the national average soil loss by a factor of three or more.

3. *The highly erodible lands that account for much of the erosion problem on U. S. cropland appear to be eluding most methods of conservation farming, as well*

as the services of traditional USDA conservation programs. Overall, relatively few acres of U. S. cropland were treated with conservation practices in 1977, and AFT found that conservation measures of all types tended to be concentrated on land with fairly modest soil erosion hazards. For example, only 7 percent of the nation's 413 million acres of cropland was terraced in 1977, and on most of that land erosion was not a severe problem even before the practice was installed. About 27 million acres of cropland — 7 percent of the total — were treated with minimum tillage techniques and the use of crop residues, a combination referred to as "conservation tillage". Most experts regard conservation tillage as the most promising soil conservation technology for much of America's cropland, because, used properly, it saves farmers not only soil, but also time and money. For those reasons, conservation tillage has become increasingly popular in recent years. However, AFT found that about 60 percent of the land where conservation tillage was applied in 1977 had a very modest erosion hazard before the practice was adopted. By contrast, because of the expense and engineering problems involved, erosion control practices tend to be largely absent from highly erodible land. And the voluntary nature of USDA conservation programs, together with the very limited financial incentives they offer, have made it particularly difficult for those programs to effectively deal with land having severe erosion problems. The most effective means for coping with erosion on such land is to shift its use to hay, pasture, or forest production. *AFT proposes to modify USDA crop price support programs to facilitate land use shifts of this type, to achieve soil conservation and production adjustment goals simultaneously.*

4. *Certain USDA programs, particularly the crop price support programs, could be modified to provide substantial soil conservation benefits, but now serve to subsidize abusive land practices.* Despite the rapid rise in U. S. crop exports over the past decade, the USDA has implemented short term land idling programs to counteract crop surpluses in eight of the past 10 years. The 1983 Payment-In-Kind program was the most extreme example of such programs in history. Most analysts forsee a continuing, if more periodic, need for acreage reduction programs. But as the programs are devised and operated now, very little conservation is achieved. The programs run for just one year at a time, making it difficult for farmers to match program guidelines with long-term conservation plans without incurring financial losses. Because the farm program benefits are proportional to the acreage kept in erosion-prone program crops (corn, wheat, soybeans), the programs actually subsidize production of those crops on marginal land that should be kept in conserving uses such as hay, pasture, forest or wildlife cover.

These central research findings led AFT to propose a new strategy for soil conservation on U. S. cropland.

First, establish the nondegradation of agricultural resources as a central goal of national policy.

Second, establish a long-term cropland reserve program for highly erodible cropland under the umbrella of USDA's traditional conservation and commodity programs.

Third, eliminate those elements of Government policies and programs which subsidize future cultivation of highly erodible lands.

Fourth, reduce the "maintenance" and production-oriented aspects of USDA's technical and financial assistance for soil conservation, and focus that assistance on cost-effective erosion control methods on land where soil loss is likely to be causing chronic on-site or off-site damages.

The Final Report of the AFT Soil Conservation Policy Project includes twenty-three recommendations for implementing this overall strategy. AFT believes the debate over omnibus farm legislation in 1985 will provide an unusual opportunity to make soil and water conservation an integral part of overall farm policy. This report is intended to provide a framework to help all interested parties assess the need for and merits of new conservation policy initiatives such as "sodbuster" legislation and a soil conservation reserve. Throughout the deliberation on the 1985 farm bill, the American Farmland Trust will continue to refine our analysis of these ideas, and communicate our findings to farmers, policymakers, and the general public.

It is clear that the United States has reached a crisis in our farm and soil conservation policies. AFT has concluded that modest reforms of those policies could go a long way toward resolving the problem of soil erosion on America's cropland. It is imperative that the nation adopt government policies and programs that help farmers conserve their soil for the benefit of future generations. The United States already has lost a great deal by failing to cope with the problem of soil erosion. If we do not act responsibly, resolutely, and soon, we stand to lose a great deal more.

I. Toward a National Policy for Agricultural Resource Conservation

Recommendation 1. *A national policy for agricultural resource conservation should be established by the United States in the 1985 farm bill and adhered to by all agencies of the government. As part of this policy, Congress and the Executive Branch should establish goals for the conservation of the nation's agricultural resources. The overall aim of these goals should be to maintain or improve the inherent productivity and quality of soil and water resources, and to minimize adverse environmental effects related to the use of those resources. Two central themes should form the basis for this policy declaration. Government policies and activities should recognize: (1) the long-term nature of agricultural resource conservation planning and implementation and; (2) inherent differences in the quality and capabilities of land for sustainable agricultural production.*

Recommendation 2. *The Secretary of Agriculture should establish within USDA a permanent coordinating body, with a fulltime staff, and chaired by the Deputy Secretary of Agriculture, to assess and analyze all aspects of all USDA programs as they affect agricultural resource conservation. This group should: be responsible for assuring that agricultural resource conservation goals are acted upon with the most efficient government programs and activities; be responsible for evaluations of all department programs directly or indirectly affecting agricultural resource conservation; have the authority to recommend to the Secretary special studies, projects, and new policy and program initiatives across the Department that would enhance agricultural resource conservation. The coordinating body should be given overall responsibility for the Department's RCA activities. This body should also coordinate USDA activities related to development and implementation of the national policy on agricultural resource conservation recommended above.*

Recommendation 3. *The House and Senate Agriculture Committees should conduct oversight investigations, including public hearings, into (1) the performance of USDA conservation programs after the first cycle of the RCA and (2) the conservation effects of USDA's commodity and credit programs.*

Recommendation 4. *Cropland in the U. S. should be designated into one of three groups by local conservation districts on the basis of practical, consistent, and scientifically sound criteria reflecting the land's vulnerability to erosion. The classification system would serve as a general guide to local conservation districts, Agricultural Stabilization Committees, and USDA field personnel as they consider applications for conservation programs, crop price support programs, and other USDA programs. The system should reflect the land's quality and capability for sustainable agricultural production without excessive soil erosion. To the extent possible, Government policies and programs should encourage agricultural practices appropriate to the land's quality and capability, as reflected by this classification.*

Recommendation 5. *Primary technical responsibility for developing the classification scheme and for local designation of cultivated land into Group 1, 2 or 3 should be given to the Soil Conservation Service, working through and in cooperation with local soil and water conservation districts. The classifications should be consistent with any standards established by the local districts. General guidelines for the classification procedure should be prepared by SCS national and state offices, but should be subject to approval, modification and appeal through local conservation districts. An appeal procedure should be established in order that farmers or other interested individuals may bring to the attention of conservation district committees additional factors which should be considered in making a classification.*

Recommendation 6. *Land in Group 1 should be set-aside, diverted, or otherwise retired from production of cultivated crops as a requirement for participation in USDA crop price support programs only when inadequate acreage is obtained for production control purposes from Land Groups 2 and 3. Land in Group 1 should also not generally be eligible for publicly supported financial and technical assistance for erosion control, unless the public's interest in such assistance can be demonstrated on a case-by-case basis.*

Recommendation 7. *The USDA's traditional technical and financial assistance efforts for erosion control, as well as Extension Service activities, should place high priority on cost-effective tillage practices, primarily on moderately erodible Land Group 2.*

Recommendation 8. *The Department of Agriculture should proceed with targeting efforts now underway for technical and financial assistance for soil erosion control. However, the total number of counties designated for targeted assistance should be frozen at 800, the number anticipated for participation by Fiscal Year 1984. No additional target areas should be designated until the success of the 1981-84 targeting effort has been fully evaluated.*

Recommendation 9. *The Pilot Variable Cost-Share Level Program of ACP should gradually replace existing procedures for the overall ACP over a 5 year period, beginning in FY 1985. Also beginning in 1985, SCS should experiment with the variable cost-share* *level approach in cost-sharing activities under the Great Plains Conservation Program. In both programs, emphasis should be given to assisting cost-effective conservation practices on Land Group 2. This can be achieved by awarding financial assistance within the broad Group 2 category to land with the most serious erosion problems.*

Recommendation 10. *In formulating and implementing USDA commodity price support programs, high priority should be assigned to long-term conversion of Group 3 land to conserving uses such as pasture, hay, range, forest or wildlife habitat. To the extent possible within the context of production adjustment goals, commodity price support programs should encourage this conversion by offering farmers multi-year conservation reserve contracts for Group 3 land. Periodic, one-year set-asides and diversions should also be directed to Land Groups 2 and 3 as production adjustment requirements may warrant. Legislative authority for nationwide implementation of a conservation reserve should be provided in the 1985 farm bill.*

Recommendation 11. *For highly erodible lands not covered by a conservation reserve contract, the Agricultural Conservation Program, Experimental Rural Clean Water Program, or Great Plains Conservation Program should be used to encourage the establishment and maintenance of permanent vegetative cover.*

Recommendation 12. *Wherever state or local conservation programs have been adopted to encourage conversion of Group 3 lands to stable uses, USDA should make a special effort to provide assistance via the conservation reserve or long term ACP and GPCP land retirement contracts.*

Recommendation 13. *Through legislative and administrative initiatives, Group 3 lands not devoted to the production of crops as of a specified date should be designated as ineligible for future participation in USDA commodity programs (including the conservation reserve), the federal crop insurance program and other publicly funded programs. Toward this end, the Congress should expeditiously enact an effective version of the "Sodbuster bill".*

Recommendation 14. *USDA should encourage member organizations of the Farm Credit System to adopt procedures and policies designed to encourage enrollment of Land Group 3 in the conservation reserve, or otherwise encourage conserving use of Group 3 lands. FCS should also adopt sanctions consistent with those contained in sodbuster legislation to discourage future cultivation of Group 3 lands now in conserving uses.*

Recommendation 15. *In repatriating land received through loan foreclosures or bankruptcies, the Farmers Home Administration (FmHA) should encourage sustainable use of the land, including enrollment of any Group 3 land in the conservation reserve.*

Recommendation 16. *In analyzing and presenting the results of the 1982 National Resources Inventory (NRI), USDA should give first priority to information on soil erosion and conservation on cropland. The information should be presented in a form that will enable farmers, the public, conservation experts and the Congress to evaluate the need for and potential effectiveness of new conservation program initiatives, particularly the conservation reserve and the sodbuster bill, in early 1984. Information on erosion and conservation practices on cropland should be presented in a manner that corresponds with the three land groups proposed in this report, or a comparable scheme.*

Recommendation 17. *USDA should make a special effort to distribute data tapes and documentation for the 1977 and 1982 NRIs to a wide range of public and private groups and individuals with an interest in conservation. Detailed documentation of the statistical design and reliability of the survey, and the design of the computerized survey data base, should also be prepared for dissemination to analysts and interested individuals outside the USDA. To encourage more detailed, regional research using the NRI data, SCS and other USDA agencies should offer financial support, on a competitive basis, for graduate students and other researchers interested in conducting investigations using the NRI. USDA may wish to establish categories and types of analyses they would like to see conducted by outside researchers. To provide a focal point for this research and to publicize its results, USDA should devote a keynote session of the annual USDA outlook conference to soil and water conservation trends and their implications for public policy.*

Recommendation 18. *USDA should, to the extent feasible, collect data on farm and conservation programs, natural resources, and other topics in a manner that allows these data to be integrated and coherently analyzed. The department should establish a computerized data base accessible to all appropriate agencies which links natural resource, and farm and conservation program data collected by the department.*

Recommendation 19. *USDA should initiate a joint SCS-ARS project to update and improve the Land Capability Class System (LCCS). This joint project should produce a report by January 1985, describing the genesis of the system and its current* *strengths and shortcomings for farm planning and agricultural policy purposes. The report also should make recommendations for improving the LCCS for these purposes.*

Recommendation 20. *USDA should continue to implement the Conservation Reporting and Evaluation System (CRES), and should to the extent feasible use the information to direct conservation program activities and expenditures in the most efficient manner.*

Recommendation 21. *The Secretary of Agriculture should have an effective inter-agency mechanism to coordinate the research efforts on the impacts of soil erosion on productivity and off-site damages. These efforts should be substantially expanded beginning in fiscal year 1985.*

Recommendation 22. *In cooperation with county governments and conservation districts, each state should develop a comprehensive plan for reducing soil erosion damage statewide. The plan should include standards, guidelines and deadlines for achieving state soil conservation goals, and programs that have a mix of incentive and requlatory features.*

Recommendation 23. *County governments and conservation districts should be jointly responsible for implementing state soil conservation programs. Conservation districts should continue their role of providing clerical assistance and office facilities to SCS, and of providing education and technical assistance. County governments should assume responsiblity for implementing mandatory features of state laws.*

(The complete publication is held in the committee files.)

TESTIMONY
of

NORMAN A. BERG
WASHINGTON REPRESENTATIVE

SOIL CONSERVATION SOCIETY of AMERICA (SCSA)

Mr. Chairman,members of the Committee on Agriculture,SCSA appreciates this opportunity to present a statement as you, and the Nation,discuss the shaping of the next generation of farm policy. I was listening,Mr. Chairman,when you said to conservationists from all over the U.S. in early February, "We are having more people wanting to get involved in the 1985 farm act than ever in the history of farm legislation--and I welcome them! It's more trouble,it will be more difficult to get a consensus,but I welcome them because once you get a consensus then you have a larger base.- We need to put it all together,we need to get the word out!".

The word is out ,Mr. Chairman,around the natural resource community.We are not late-comers to the process.We have been at work for several years on the need to link agricultural and resource conservation programs.The 1983 Payment-In-Kind (P-I-K) program of U.S.D.A.,coupled with the drought that swept across the land,made even more obvious that agriculture needed better federal government policies and conservation needed to be integrated into commodity programs.

Consistency must be achieved among national programs to encourage sustained production of a wide range of benefits from agricultural products and natural resources.This is the task at hand-and we welcome this opportunity-for we feel we are prepared now to offer help on developing sound and workable policy.We also think we are ready to demonstrate that new policy can not only effectively link commodity and conservation policy; it will cost less than present programs.

Am emerging consensus of conservation and agricultural interests has identified the pressing need to design commodity programs features that-in the future- encourage,rather than penalize,land users willing to carry out sound soil and water conservation practices.

Just how this needed change will be addressed in the 1985 Farm Bill,is obviously,still open to debate.However,the Soil Conservation Act of 1984 (H.R.3457) passed by the House of Representatives during the 2nd Session of the 98th Congress; that failed to become law,had addressed several key issues that are certain to be central in the Farm Bill deliberations this year.

H.R.3457,as you know, endorsed the need to limit U.S.D.A. eligibility as new cropland,if it was highly erodible land. The measure also would have required the Secretary to carry out a conservation reserve program -long-term contracts - with owners and operators of erosion-prone land that now qualifies,under current policy,for a variety of public benefits.

A cropland base protection study would have required the Secretary,before February 16,1985, to submit to your Committee, a report and recommendations for improving past, and probably current policy and program requirements,that permit two activities that continue to work against those many good stewards of their land. This includes:

-Unfairly rewarding those who overutilize their marginal lands through monoculture type farming operations,while;

- Unfairly penalizing those who have kept marginal lands in conserving uses or practiced a conservation-oriented crop rotation program.

There are other issues that also need consideration and that show great promise for having significant conservation implications . For instance:

- Can commodity and conservation features in various agricultural programs be integrated by requiring land users to meet certain soil and water management criteria on all their lands in order to be eligible for federal funds under economic support programs?The local soil and water conservation districts-with appropriate assistance from both state and federal conservationists-could help assure equity in the implementation of this policy.
- Can policy provide a more reasonable planning horizon for landusers? Past history clearly tells the landuser on annual diversions of cropland-that investments in establishing vegetation that can benefit conservation, wild living resources and water quality are too costly.
- Can we concentrate the limited conservation assistance to those areas of critical need-while maintaining the strong base program delivery capability nation-wide?
- Can export policy ensure the immediate and long range productivity of the U.S.resource base?
- Can federal tax loopholes that stimulate actions that are inconsistent with multi-benefit,sustainable agriculture be addressed by Congress in tax reform debate?

- Can programs that reduce the offsite impacts of land use and agriculture on water quality be linked to conservation and agricultural policy?

The Soil Conservation Society of America (S C S A) founded in 1945,with over 13,000 professionals from almost every discipline related to soil,water,forests,range and wildlife, has since it's inception,been dedicated to"advance the science and art of good land use,with emphasis on the conservation of soil and water". Our Journal of Soil and Water Conservation, published six times a year,is a world class magazine for those in natural resource and related fields.A special edition-May-June 1983 on Conservation Tillage was widely read-and reprinted to meet widespread demand.

The most recent special edition January-February 1985 -Vol 40-No.1 is "Non-point Water Pollution"and is most timely.Edwin H. Clark II,who directs the water resources program at The Conservation Foundation has an article in this most recent Journal.He writes,"Erosion related pollutants are estimated to have a net damage cost of $ 3.2 billion to $ 13.0 billion, in 1980,with a single value estimate being $ 6.0 billion per year.Croplands share is $ 2.2 billion".Soil erosion impacts other sectors of the economy-and the public has to pay the costs of repairing the damage that could have been prevented. The Administration's proposed Agriculture Adjustment Act of 1985,sent to Congress recently,signals their intended retreat from dabbling in the Nation's farm economy.According to some that may be beneficial in the long run, but it shows scant concern for the increasing loss of topsoil, water quality and wildlife habitat on U.S.farmlands.Their bill states that:

-Commodity acreage reduction programs in 1986,1987 and 1988 would require that some of the set aside acreage be devoted to "consevation programs".However,simiIiar annual set asides of the past, have accomplished little in terms of soil,water and wild living resources conservation.This is based on the continued uncertainity of next years program as viewed from the landusers point of decision.

-Title XV(same title as the 1981 Farm Bill) is limited to a weak "sodbuster provision".The promise of last year to wait for the 1985 Farm Bill for a conservation reserve-and other ideas-apparently lost out because of the over-riding concern for the deficit.

The 1981 Farm Bill-Title XV- had excellent conservation features that - as the law of the land- were never carried out,and the deficit was no where near the present magnitude.Resource conservation issues can no longer be relegated to the back seat-and expendable-as you consider any future,updated policy. The new bill should include-up front- a statement of national policy for agriculture and resource conservation- and the needed authority for implementation.I have seen suggested wording,by highly qualified experts,for a farm policy preamble that could well read as follows:

"To ensure the long term productivity of agriculture while preventing or eliminating damage to the quality of soil, water,and wild living resources,as well as assuring consumers of abundant food and fiber at reasonable prices and food assistance to low income households; to promote use of all practicable means and measures,including technical and financial assistance to foster and promote the general welfare of a diverse agricultural sector of the U.S.economy".

April 27,1985 will mark the 50th Anniversary of the enactment of Public Law 72-46.That,the first permanent legislation to authorize soil and water conservation programs in the U.S. Department of Agriculture,created the Soil Conservation Service (S C S) in U.S.D.A.The soil and water conservation effort,a combination of federal, state and local government programs,working with the private sector,has a proud history and a challenging future. We join others in reflecting on past accomplishments and preparing for problems yet waiting solution.We too,are concerned for any added cost of solving problems.There is good work underway to assist you on the difficult decisions that lie ahead,including the best use of available federal resources.There is deep concern for the future of some of those now in agriculture.Within that context the fight against soil erosion can't wait for good times.Conservation needs to be part of the solution. The Soil Conservation Society looks forward to working with you and the Committee in any way that we can to help. We must make more certain,than in the past,that farm programs by design and action,buy more soil and water conservation, along with the other desired objectives of federal policy and federal budgets.We will be pleased to respond to any questions.Thank you,Mr.Chairman.

Statement of

Kenneth A. Cook

Mr. Chairman, distinguished Members of the Committee. I am Kenneth A. Cook, a writer and analyst in food and agricultural policy, specializing in resource and environmental issues. I was the principal writer and analyst for the American Farmland Trust report mentioned earlier by Bob Gray, and of a recent handbook on the 1985 farm bill released last week by the Sierra Club. This year I am working for a number of organizations, all of which are participating in the 1985 Farm Bill debate in one way or another, including the American Farmland Trust, the National Audubon Society, the Sierra Club, the Board on Agriculture of National Academy of Sciences, and the Roosevelt Center for American Policy Studies. The views I will express today are, of course, strictly my own.

I was surprised to hear Secretary Block state before this Committee yesterday that "there are really only three options available to the Congress: an extension of current programs; mandadory controls; or a flexible market-oriented approach," this last "option" being Secretary Block's Agricultural Adjustment Act of 1985.

There is another option for the major crop programs, Mr. Chairman: the soil conservation reserve. I believe that Secretary Block and many top officials in USDA think the idea of a conservation reserve makes sense, and they would have offered it as an option, had not the Office of Management and Budget (OMB) vetoed it.

I believe I know why the OMB objected. They prefer not to make a committment to any long-term policy for U.S. agriculture that will cost money. That was the thinking behind the "low-cost"--and totally ineffective--1982 crop programs that spawned the enormous 1983 programs, including PIK. The OMB pretends "the market" will solve our current problems. It will, in the form of a going-out-of-business sale at tens of thousands of farms across the country over the next few years.

We do not need such a drastic, short-sighted approach. And to judge from the underwhelming enthusiasm Mr. Block's AAA plan has elicited, I think most of us don't want this approach, either.

Let's formulate a long-term food and agriculture policy which prepares us for a competitive world market, but does not require wholesale loss of farmers or excessive costs to taxpayers or consumers.

A policy that our competitors will know we will be able to implement much more efficiently and consistently than our current approach.

A policy that will force our competitors to produce against our very best, highest-yielding, most productive land. No one has more of it than we do.

And a policy that protects the environment. If I were a Member of Congress representing an urban area, I would insist on that in the 1985 farm bill.

The centerpiece of such a new policy would be the soil conservation reserve. My colleague, Bob Gray, of the American Farmland Trust, already has described the general idea of a conservation reserve. It is a long-term land retirement program designed to replace part of our current need for annnual set-aside and diversion programs. It is aimed at the 40-50 million acres of erosion-prone cropland currently being ruined, some of it beyond repair, to produce crops for which we now have no market, free or otherwise.

In other words, instead of starting from scratch each year--with too many acres in production and a very high price tag to yank 30, 40, or 76 million acres out of production one year at a time--we would narrow the average gap between supply and demand by pulling some of our high-cost, marginal, erosion prone acres out of production for at least 10 years.

A companion measure, a strong "sodbuster" policy, would discourage more of such land from coming into crop production and further aggravating our crop surplus problems. The sodbuster policy would deny USDA program benefits to anyone who brings into crop production highly erodible land that has not been cultivated during a designated "grandfather" period.

The beauty of the conservation reserve program and the sodbuster policy is that they would serve two goals of farm policy simultaneously: conserve soil and help balance the supply of major crops with fluctuating demand.

Frankly, if the conservation reserve did not have a role to play as a more efficient means of production adjustment, it would be unthinkable in our current budget situation. That is a sad but immutable fact of life for those of us concerned about long-term issues like soil conservation that never get on the main agenda of "emergency" farm policy we've had for about a half century now.

Yet the potential soil conservation benefits of the reserve and sodbuster would be enormous. As a general rule of thumb, Mr. Chairman, a 5-7 percent acreage reduction aimed at our most erosion-prone cropland will reduce soil loss by well over 30 percent for most major crops.

How would the conservation reserve program and sodbuster policies work?

First, the conservation reserve. We now have a solid, technical capability to identify erosion-prone land. Some 40-50 million acres would be eligible for a conservation reserve. Farmers would apply for the program, local SCS or conservation district officials would certify the land as erosion prone, and farmers would submit bids in the amount they'd accept to take it out of production. ASCS would accept the lowest bids first, as they did with the whole-farm-bids in 1983, and within one year, land in the reserve would be protected from excessive soil loss. We should aim for a reserve of 30-40 million acres in the next 3-4 years.

Bob Gray has already described the savings we could anticipate in farm program costs. The soil conservation reserve would result in lower deficiency payments. Lower storage payments for the Farmer Owned Reserve. Diversion payments would in effect be replaced with conservation reserve payments that would buy out more land for the same federal dollar--and they would buy it out at a reasonable price for ten years, not just one year.

How about the sodbuster policy? Farmers would be required to report to the local ASCS office prior to cultivating any land that has not been cultivated since 1981. If that land is highly-erodible, as defined by the sodbuster policy, they would be informed that cultivating it would cause them to forfeit their right to participate in most USDA programs for all their land, unless they immediately implement sound conservation practices on that new land. By 1989, the sodbuster policy would be put into effect for all land, including land that has been in crop production since 1990.

We need a tough policy like this to strongly discourage additional highly erodible land from coming into production--the current rate is about 600,000 to 800,000 acres each year. We cannot tolerate more strain on our already overstrapped conservation programs. And the crop programs will never be efficient if we endlessly bloat our acreage base with marginal land. By phasing in the sodbuster policy on all land by 1990, we can provide a strong incentive to farmers to enroll in the conservation reserve.

Mr. Chairman, much more could be said about these policies, and I would be happy to respond to any questions you or other Members might have today, or anytime in the course of the farm bill debate. I would leave you with one thought. These policies need to be enacted in a comprehensive form this year. The much talked about two-year extension of the current programs is a political cop-out which would, I believe, be unacceptable to many of the groups supporting these ideas, and I urge them to say so to the urban Members they work so closely with.

Again, I thank you for this opportunity to testify.

STATEMENT OF JOHN PENDER
AGRICULTURAL POLICY ANALYST
BREAD FOR THE WORLD

Thank you for this opportunity to present our views on the issues you will consider in writing the 1985 Farm Bill. I am John Pender, agricultural policy analyst for Bread for the World, a national movement of Christian citizens seeking public policies which will help hungry people lead healthy and productive lives. We have over 45,000 members nationwide from every Christian denomination.

Bread for the World believes that the policies enacted in the 1985 Farm Bill will have important impacts upon hunger in the United States and throughout the world. Decisions being made about international and domestic food assistance programs will directly affect hungry people. In addition, choices made concerning commodity programs, grain reserves, resource conservation and other aspects of food policy will have a direct influence upon the availability and security of food supplies, now and in future.

Objectives for Food and Agricultural Policy

We believe that a fundamental goal which must be served by food and agricultural policies is to promote a world in which all people have enough to eat. This requires food assistance programs which work well to provide food to those in need. It also requires agricultural policies which contribute to the availability of an adequate and reliable food supply, while promoting a healthy, stable, and sustainable agricultural economy.

Bread for the World supports food and agricultural policies which promote

- timely provision of international food aid to people in need, avoiding the use of food aid in a manner which fosters excessive dependency or which inhibits agricultural development in developing countries;
- provision of adequate food assistance to poor people in the United States;
- availability of a reliable food supply;
- stability in agricultural markets and in the rural economy;
- prudent use of our resources and an ecologically sound system of production; and
- a healthy and resilient farm economy in which economic rewards and control of production and resources are broadly distributed.

Bread for the World has made several recommendations for the 1985 Farm Bill and other policies as a part of a coalition of sixteen farm, rural, religious, environmental, and other public interest organizations who have released a report entitled Beyond Crisis: Farm and Food Policy for Tomorrow. This report contains many recommendations for improvements in commodity programs, credit programs, grain reserves, food assistance, conservation programs, tax policy and other areas to better serve the objectives I mentioned. We believe that the approach outlined in this report would not only improve present policy, but would be less costly.

Grain Reserve Programs

I want to talk in more detail about grain reserve programs. Bread for the World supports reauthorization of the Farmer-Owned Grain Reserve (FOR) and the Food Security Wheat Reserve (FSWR) as critical components of a policy to promote food security and stability in the rural economy.

Reserves are the only insurance that grain consumption can be maintained when world grain production falls short of demand. Without adequate reserves, food shortages inevitably occur when production is low or demand is unusually strong. The ones who suffer the most are those least able to pay.

In the early 1970s, we saw the impacts of inadequate reserves. Unexpected Soviet grain purchases and a worldwide shortfall in grain production rapidly depleted available grain stocks and led to a tripling in wheat prices. Food prices increased substantially and U.S. food aid shipments to developing countries were cut by two-thirds. These price increases and food aid cuts came at a time when many poor nations in Africa and elsewhere were suffering severe food shortages.

Bread for the World strongly supported the establishment of the Farmer-Owned Reserve program in 1977 to protect against the danger of such supply shortages recurring and to prevent severe changes in grain prices. We feel the program has functioned well for these purposes. In 1980, the program helped to prevent a price collapse following the Soviet grain embargo. In 1983, grain released from the Farmer-Owned Reserve prevented a severe feed grain shortage which could have resulted from heavy participation in the Payment-in-Kind (PIK) program and a drought. Corn production fell by 50% in 1983, and only by drawing heavily on FOR stocks (2.3 billion bushels released between June 1983 and September 1984) could domestic use and exports of corn be maintained. With corn yields down almost 30% in 1983, we would have needed to use substantial quantities of reserves (700 million bushels to maintain supplies) even if no acreage diversion program had been used.

The insurance of a reliable grain supply provided by the FOR is important not only for food security, but also for development of export markets and stability of the rural economy. Without the corn reserve in 1983, corn exports and livestock feeding could have been severely affected, jeopardizing export markets and increasing strains felt in the livestock industry. The FOR program helps to promote development in export markets and in the livestock industry by increasing confidence that supplies will not be interrupted.

The Administration's Proposal

Despite these important features of the FOR, the Administration proposes to eliminate it, along with the Food Security Wheat Reserve, a four million metric ton wheat reserve established in 1980 to ensure that the United States can meet its food aid commitments when supplies are short. In place of these, the Administration proposes a discretionary "food assistance" reserve much smaller than present reserve levels. If U.S. reserve levels were reduced to the level proposed, world grain reserves could be reduced by as much as 15%. Considering that present world reserves (as a percent of consumption) are no higher than they were in 1972, prior to the food shortages which occurred, this reduction in reserves would be especially threatening. In addition, the discretionary nature of the Administration's proposal provides no assurance that a reserve would be present to safeguard U.S. food aid commitments.

The Administration's proposal to eliminate the FOR, coupled with its proposal to dramatically reduce loan rates and eliminate supply management programs, would threaten not only the security of food supplies but the stability of agricultural markets and the rural economy as well. According to a recent study of grain price instability conducted at Iowa State University, elimination of grain reserve and supply management programs would double wheat price instability and increase corn price instability by one-third, compared to a policy using both grain reserves and acreage controls to buffer instability. Given the increasing instability of grain markets and the painful effects currently being experienced as a result of boom and bust in agriculture, any policy which will substantially increase instability is highly undesirable.

Bread for the World's Proposals

Grain Reserves

Bread for the World believes that both the Farmer-Owned Reserve and the Food Security Wheat Reserve should be reauthorized. We believe that food assistance should be provided through current food programs on the basis of need rather than the availability of surplus, and that reserves are necessary to ensure that food is available to meet food aid needs when supplies are short.

While we support reauthorization of the FOR program, we support improvements in the program to better serve the objectives of food security and stability in the agricultural economy. The FOR should not be used in lieu of effective supply management programs. The absence of effective acreage control programs in 1981 and 1982, together with incentives encouraging farmers to produce for the reserve, led to excessive accumulation of reserve stocks and a dramatic rise in program costs. Culminating as it did in the drastic 1983 PIK program, this approach proved to be a threat to the security of grain supplies and to the stability of the rural economy, as well as being enormously expensive.

Bread for the World believes that the solution to these problems lies not in eliminating the reserve and supply management programs, but in using these programs more effectively, in coordination with each other. Reserve accumulation should not be encouraged by increasing entry incentives when reserve levels are already excessive. A possible means of addressing this problem is to specify that if total U.S. carryover stocks exceed a maximum level considered useful for food security (probably about 40% of projected annual use for wheat and 25% for feed grains), entry incentives would be kept to a minimum, with the reserve loan rate no higher than the CCC loan rate and no interest waivers offered.

A target for the minimun size of the reserve should be specified as well, with provision for adequate carryover stocks to ensure a reliable supply of grain. If carryover stocks are lower than a minimum level necessary for food security (say 20% of annual use for wheat and 12% for feed grains), incentives to enter grain into the reserve should be raised, provided that prices are below the release level.

These targets would help to ensure that adequate but not excessive reserves are held in the United States, taking into account private as well as public stockholding. Thus if adequate reserves are held outside the FOR, the government would not need to offer additional incentives to hold reserves in the FOR.

By adjusting entry incentives, excessive accumulation of FOR stocks should be avoided. A cap on FOR stock levels of 40% of projected wheat use (about 1 billion bushels at present use) and 25% of feed grain use (about 2 billion bushels) could also be included, although FOR stocks should never reach this level if effective supply management is used together with the entry policy discussed above. With this policy, the maximum cost of FOR storage payments would be less than $800 million annually, and should average less than $400 million annually, much less than the cost in 1982 and 1983.

Land Reserves

To effectively serve the goals of food security and stability in agriculture, grain reserves should be coordinated with a system of cropland reserves. As we have seen, attempting to do the whole job by manipulating the FOR program is ineffective and costly. Some scaling back of production is needed when market demand is unusually slack, as in the past few years, to reduce the possibility of a major agricultural recession. The goal should not be to hold good cropland permanently out of production, but to hold some cropland in reserve in periods when production capacity exceeds demand and to bring it into production when demand recovers. Placement of cropland in reserve could be based upon carryover stock levels, with the size of the reserve adequate to keep projected carryover stocks below the maximum desirable carryover (40% for wheat). Similarly, cropland would be released from the reserve could be done to keep projected carryover stocks above the minimum desirable carryover.

Such a "cropland reserve" program, operated in a predictable manner and coordinated with the Farmer-Owned Reserve program, would help to ensure a reliable supply of grain and reduce the boom and bust cycles in agriculture. It also would contribute to conservation of resources, particularly if priority is given to conservation benefits in choosing land for the reserve.

While the cropland reserve would have important conservation benefits, it would not take the place of strong sodbuster legislation or of a conservation reserve program which would take the most highly erodible land out of intensive crop production and provide for more sustainable uses. Bread for the World supports these programs, together with other well targetted conservation programs as critical to preserving the quality of our agricultural resources and the security of food supplies.

David L. Johnson
March, 1985

A CORN-SOYBEAN FARMER IN RENVILLE COUNTY, MINNESOTA

Mr. Chairman, Members of The House Agriculture Committee:

I am honored to have the opportunity to review and discuss Farm policy. Please consider my Farmer experience regarding current Farm problems, effect's of the strong dollar, deflation land values and Farm policy since 1980. I operate an 1,800 acre corn and soybean Farm. The Farm is 75% owned and has adequate machinery and storage. I am a third generation Farmer. Our Farm experienced most of our Farm growth in the 60's and 70's.

A major Farm policy shift occurred in 1980 when Paul Volker, with the concurrence of the Reagan Administration, decided to "sweat" the inflation out of agriculture. This policy was accomplished by increasing the spread between the average Farm interest rate and rate of inflation. Or simply stated, high interest rates compared to low inflation rates. The spread between inflation and Farm interest rates in 1980 went from 2 points to 20 points in 1984. Thus, Farm debt became very burdensome forcing Farm land values downward sending the Farm sector into deflation. It meant to this Farmer, a deflation rate of 10%-15% per year writing down one half of my assets during this period of time. The unpinnings of agricultural debt are seriously threatened by the 50% deflation farm experience.

The misery index for Farmers has been very harsh under this policy. Especially the young in Farming. Many AG banks, P.C.A.'s, and FMHA's are now prohibiting a father from starting a son in Farming. For 46 years under the safety net concept of the 1934 A.S.C.S policy, this spread between inflation and interest rates was less than 4 points providing stability and prosperity. I am convinced our extreme credit liquidity crises problems are not caused by failure of long standing AG policy which as survived ten presidents and 25 congressional elections, a world war, inflation and a number of other factors among them:

1. Failure of Secretary Block to competently administrate and apply all supply options at his disposal. Much more land could and should have been taken out of production.

2. There was a failure by Secretary Block to respond to unfair grain export practices by competing countries. America is now a part of world grain economy that is only partially integrated into our external AG policy. The effects of government Farm policy since 1980 have lowered wheat and feed grain support prices to discourage world grain expansion. The impact on Farmers is devastating because the U.S. economy inflated significantly since 1980. In reality, the lowering of grain support prices are in direct response to the ever stronger dollar. The American dollar is now approximately 200% of its 1980 value. Thus, the stimulus to a competing country is, in effect, doubling of our current grain prices. Four years are enough to punish American Farmers with lower prices in an effort to offset the continuing stronger incentives to our world grain competitor expansion plans.

3. The U.S. price support peg system for feed grains and wheat has set the world grain price since its inception in 1934. If this system is abandoned by the Administration's Agricultural Adjustment Act (A.A.A) of 1985, there is no other heir apparent to assume this role. In all probability, grain prices would plummet. Evidence the flat Board of Trade option and the effect of support levels on current options.

4. The A.A.A. assumes that a free market system exists which would halt the free fall of grain prices when it is enacted. Preliminary testimony before the Senate AG Committee suggests that a "free grain market" simply does not exist. This is so because all of our world competitors has internal and external AG policies that influence grain prices. Some countries such as the ECC, use tax dollars as a direct subsidy to exit surplus grain from their shores. The U.S. long standing AG policy of supply management idling land plays directly into this advantage of the ECC and most of our world grain competitors. This is so because the ECC policy is to plant its entire acreage with no set-aside. This policy is looked upon favorably because of a more fully employed society with its attendant benefits of lower unemployment benefits and welfare costs. Their system is willing to accept the tax burden of offsetting a high Farmer price with tax dollars to lower grain prices sufficient to exit their shores.

SUMMARY

America must play her role as the major world grain exporting nation. The long standing AG policy has provided America with the greatest quantity, quality and price of food ever known to a country. We must alter this policy by developing an internal AG policy which raises price supports to level which relate to the business environment that our Farmers must engage. The internal policy should parallel ECC policy to the extent it removes their present policy advantage of continued in-roads into our share of the world grain market. The external policy must provide a buffer for the effects of currency fluctuations. Farmers cannot absorb any further economic blows caused by the strong dollar.

RECOMMENDATIONS

1. An immediate short term policy which would stabilize the downward spiral of Farm land prices.

2. A tough sod-buster policy with paid diversion to set aside up to 20 million acres of highly erodable land.

3. A two-price system, domestic and export, will be necessary to serve as a buffer to mitigate currency fluctuations. America must meet G.A.T.T. abuses or its own terms now. The development of a dual AG policy, interanl and external, will defuse unfair competition and preserve and expand America's share of world export markets.

WIFE Women Involved In Farm Econo

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Sydney Be
National Presid

TESTIMONY OF

SYDNEY BECK

NATIONAL PRESIDENT

Mr. Chairman and Members of the Committee, my name is Sydney Beck. I am the National President of WIFE (Women Involved in Farm Economics) representing members from twenty-two states. It is an honor for me to represent this organization of women who are dedicated to agriculture. They come from various backgrounds and regions but represent a great source of knowledge, foresight, grassroot dedication and plain old common sense.

Our organization appreciates the opportunity to appear before this committee. We pledge to you our cooperation and participation as a new Farm Bill is developed, as we believe very strongly that it will be the most important piece of legislation to come before Congress this year. It will be crucial for us as producers, but we believe it will also be crucial to all Americans. The economic health of agriculture is reflected throughout the rest of our economy, as history has proven many times, and it certainly is being reflected now. Agriculture is truly at a cross-roads in its structure, and I believe that the future structure is a concern for all Americans that will be determined by this same Farm Bill or Agricultural Act of 1985.

Mr. Chairman, we have studied the Administration's proposed omnibus farm bill and to say that our members were unenthused about this "market-oriented path" would be the understatement of the year.

This proposal that was described as compassionate and orderly in its summary could also be described as sudden death to the independent family farmers of this nation. The only positive feature I see in the proposal is the Export Title which was not very specific or concrete. WIFE is a very positive organization, so I'll just say that we strongly oppose the bill and are proposing a more positive approach.

Mr. Chairman, I don't believe that I have to tell you nor the members of this Agriculture Committee how critical the agricultural situation is today. I do want to impress upon you that it is serious, not just for farmers and ranchers, but for small businessmen, agribusinesses, bankers, our rural towns, total communities, and I believe, our whole economy.

No one recognizes the need for the development of sound agricultural policy more than we who are involved in production agriculture. The destiny of the few commercial family farmers and ranchers who are left, the well-being of all agriculture related industries, the viability of rural America and the economic stability of the entire nation are dependent upon an agricultural policy that will provide the opportunity for profit to producers.

We have all heard the terms "free market" and market oriente associated with farm policy, and I think all producers would agree to the concept perceived of those terms if they were possible or even probable in today's world economic situation and today's agricultural crisis. We are all aware that much of the economic instability facing agriculture today is brought about by macroeconomic factors and policies such as the value of the dollar, interest rates and other monetary policies and trade policies. These are things over which producers have no control over and very little ability to manage for. Many of these events themselves prevent a free market and prevent the producer from being able to be market-oriented and survive for very long.

WIFE, as most organizations, would like to see long term policy, however, as the situation within agriculture has deteriorated so dramatically the past few months, I question our ability to do that or the wisdom of doing that until we are able to stabilize some of the present chaos. I also question Congress' ability to pass adequate long-term legislation for agriculture within an environment where the above mentioned macroeconomic forces play such a dominant role in agriculture.

We recognize the detriment that the federal deficit plays on all Americans and on agriculture, and we realize the importance of reducing that deficit. Agriculture is willing to do its share toward that reduction, but cannot be expected to absorb any larger reduction than other segments, especially in light of the conditions existing in agriculture today across the country, in every state. WIFE believes that a prosperous agriculture could indeed solve many of our budget problems. If agricultural producers were generating income and paying taxes rather than generating debt we would not have a deficit. Many jobs are lost as agricultural income slumps and exports decrease, therefore, those taxes and economic activity are lost. Producers are unable to purchase new equipment and other urban-produced goods and services reducing jobs and taxable income from those areas. Many believe that America has experienced an economic recovery, but I don't believe we will see true recovery until this largest industry is profitable. A thriving and healthy agriculture is the best thing that could happen to us.

The foremost issue that must be addressed is commodity prices. Agriculture is carrying the $216 billion debt and facing the crisis that it is today because of low prices. No business can pay 1985 production cost and sell at 1940 prices and survive. I have heard many "authorities" speak on the problems of agriculture this past year as well as the causes of the problems. They have targeted everything under the sun as the cause of our problems except price. While other factors have affected us, it seems other businesses are able to sustain them, and agriculture should also be able to sustain them. While all other business entities are able to pass the cost of all those factors on, agricultural producers are not. This nation seems to expect everything to rise in cost and accept the increases, except agricultural commodities at the farm gate. Policy must be made which will establish and protect a price recovery system for commodities in the market place, that allows a profit to the producer. Loan rates and target prices, a floor, must be established at no less than cost of production, or 75% of parity.

Along with that loan rate, there must be an adequate mechanism for balancing production with domestic and export consumption levels and a reasonable carry-over. We feel the policy must be well-defined and triggered to the above levels. We also feel that for any necessary set-aside to be effective, it should be based on units (bushels, tons, or pounds) and contingent upon an annual review of the actual carryover stocks. Early announcement of program provisions is a necessity for producers. We oppose the caps proposed by the Administration and feel they would make any reduced acreage program ineffective by eliminating the incentive for larger producers to participate.

Recognizing our dependance on export markets, we urge a strong export title in the 1985 Farm Bill that will provide for expansion and development of long-term markets for U. S. producers and at prices above our cost of production. With the economic recession being experienced in many countries and with our highly valued dollar, it is inconceivable that exports are going to solve the woes of American producers. Increased exports at below our cost of production is not the answer. If so, why did farm income decrease during the years we had such an increase in exports.

We have lost many export markets, not because of our price supports or anything to do with farm policy, but because of the high valued dollar. If we are to regain any of those markets and if we are to reduce our prices to world levels to regain them, government must share the cost. Producers cannot carry the burden alone; they cannot compete with the treasuries of other nations who subsidize their producers; they cannot compete with governments who must export and will do so at any price; they cannot produce at U.S. prices and sell on a world market.

We are strongly opposed to government using agricultural products as a political tool in the imposition of embargoes whether real or implied and urge that strong embargo protection for producers be included in the bill.

We support the farmer held reserve program and recommend that it be continued at a reasonable level that will not create a depressed market.

WIFE recognizes the importance of conservation of our most precious resource, our soil and urge the Committee to provide incentives that will encourage and enable the U.S. farmer to use conservation practices and discourage the cultivation of fragile lands.

Our organization calls for a renovation of the Federal Crop Insurance Program which will put the ASCS offices in charge of determining which land is insurable before the fact and that there be a direct relationship between coverage and premiums.

It is ironic that as agricultural surpluses mount and farmers and ranchers are forced to leave the land that there are people starving and undernourished in the United States and the world. We support and encourage continuation of P.L. 480 and feel it has proven to be effective in providing foreign assistance and, at the same time, helped in developing long-term markets for U.S. producers.

We also support and encourage improvement and maintainance of the Food Stamp Program.

I realize that we all have a tremendous challenge before us as we develop the 1985 Farm Bill, considering on one hand, the severe crisis facing agriculture and rural America and budget costs on the other. However, I think we must seriously consider the cost of that crisis, and they are tremendous. I suspect they will far exceed the cost of any Farm Bill in history. I don't think anyone has really looked at the cost to society and ultimately to taxpayers. What are the costs of the farm failures, bankruptcies, bank and other business failures resulting from farm losses? What are the costs of the lost jobs and the loss of tax revenues to our counties, states and federal treasuries?

I think we must also consider the social cost. You might say that the Farm Bill should not be concerned with social problems, but the situation we are facing is a social problem as well as an economic problem. The 1985 Farm Bill will address the social problems, for the better or worse, and whether you intend to or not. It will determine the fate of farm families. It will determine whether this nation has a family-farm structured agriculture or otherwise. It will determine the survival or disappearance of rural towns and businesses, and indeed, many urban industries and the well-being of those employees.

I feel that the cost of a good farm program will be nil against the above considerations. I don't believe, if properly designed and properly implemented, that the Farm Bill would be as costly as we have seen the past few years. Whatever the cost, I think it would be the best investment this country could make.

Mr. Chairman, I've just commented on some of the general portions of the farm bill without getting into specific commodity issues. Our Commodity Chairwomen will present our recommendations on those and in more specific detail.

Thank you very much for the opportunity to express our views here today. We recognize the complexity of the situation and the tremendous task you face. For the sake of farmers and ranchers and the nation, I wish you well.

PRESENTED BY:

Mr. James Wright Jackson
National Pork Producers Council

Mr. Chairman and Members of the Committee:

We appreciate this opportunity to share with the Committee our positions on issues for the 1985 Farm Bill.

The National Pork Producers Council (NPPC) is the largest commodity organization in the nation with an identified membership, representing 315,000 farm families.

One of the major external factors affecting pork production profitability is the policies of the federal government as it impacts upon a producer's cost of doing business and a producer's ability to effectively market products. It is only natural then that one of the key objectives for 1985, given high priority and articulated by NPPC's Government Relations Policy Development Group is to "develop guidelines and actively participate in farm policy debate."

We want to focus this Committee's attention upon the economic hardships being currently suffered by the family farm system and upon the importance of maintaining that system for a strong and vibrant democracy.

Our policy recommendations focus on the needs of the 315,000 producers who continue to maintain hog operations in the face of increased interest rates, unfair subsidized foreign competition, governmental advise on consumer eating habits, and regulation of food safety that is often harmful to product marketing.

We want our producers, who are increasingly involved in a technologically-advanced and capitol intensive process, to obtain adequate return for their substantial investment of time, energy, and dollars. That is the only way, there will continue to be enough pork producers who can assure America what it expects of its farmers: an abundant and safe supply of reasonably priced food.

The House will be deliberating and deciding the specifics of food and agriculture policy for the country. This will occur in the process of enacting a new Farm Bill, which has traditionally been the centerpiece of such policy.

The NPPC has a direct economic stake in such policy development. We have always believed and continue to believe that, despite 50 years of farm bills that have injected the federal government into the farm marketplace as its chief regulator, farmers, and especially pork producers, are likely to be more cost-effective, more productive, more competitive and ultimately, more profitable when they are left alone without artificial price floors or artificial production controls affecting their input and inhibiting their activities.

Unfortunately, in recent years, we have witnessed numerous efforts by other farm organizations, often successful, to devise and take advantage of governmental programs structured in such a way that they favor some segments of agriculture at the expense of the economic interests of pork producers.

NPPC does not enter the food and agriculture policy arena with the intent of promoting new or revised commodity programs that would place the government directly on the side of enhancing the income of pork producers. We have not done this for fifty years. We do not propose to begin to do so today.

Many individual hog farmers may wish to participate in advocating specific commodity programs in connection with their production of other crops, such as corn or soybeans (or, occasionally, tobacco, peanuts, or cotton) that may account for a significant portion of their gross farm income. But the NPPC, despite the fact that many of our members produce more than one commodity (usually commodities that are heavily influenced by targeted programs), is not an advocate for increased government intervention or regulation. We are more concerned about minimizing the adverse impact of the government on our industry and about fostering the unfettered, interplay of supply and demand as the factors that determine profit and loss.

What we seek is fair play and equal treatment. We do not want the government to unreasonably raise our costs of doing business, whether it be in the form of interest rates at a level exaggerated by virtue of the government's fiscal policies, or in the form of charges for feed or energy that are unnecessarily inflated by federal limitations upon production or taxation. We do not want the government to welcome competitive pork production from foreign countries whose exports to us are subsidized by foreign governments without adequately enforcing the fair trade laws now in effect or to place us at a competitive disadvantage by encouraging the unnatural and excessive marketing of domestic red meat that will depress the prices we might otherwise secure.

NPPC does not want the government to favor producers of any one commodity if the result will harm producers of other commodities. The federal government, above all, should do no harm to any sector of productive agriculture, or, if that is not feasible, should minimize the negative impact of its programs on any one sector.

The government that governs best on behalf of pork producers and their profitability is one that governs least -- and, above all, spends less. Our current monetary-fiscal policy characterized by immense deficits and attendant high interest rates, directly hurts pork producers. We pay more than we should in interest rates to finance our land, facilities, and operations. That aggravates our cash flow problems, pressures many producers to liquidate part of their herds, and reduces our prospects for obtaining revenues in excess of our expenses. The same high interest rates help boost the value of the dollar and undermine our competitive ability to export wheat, corn, and soybeans, resulting in disappointing commodity prices and creating a climate favorable to limitations upon production. The dollar's value also functions to attract producers from foreign countries to invade our domestic markets. We endorse efforts to reduce those deficits substantially by reducing government spending.

While NPPC supports the most free market possible, we recognize it is unrealistics to assume existing commodity programs will vanish overnight. NPPC proposes these programs be phased out over a reasonable period of time. We realize groups that favor modifying rather than eliminating the existing mix of loans, target prices, and acreage diversion programs have exhibited considerable clout. They wish to maintain these programs essentially intact, while modifying certain details. While we are skeptical about the beneficial impact of the prevailing policies on producers, we want to support those transition changes that will gradually move present programs in the direction closest to the competitive marketplace.

Agriculture must have sufficient time to adjust and adapt to the new competitive world economy in which it finds itself. Thus, timing becomes the most critical factor for our fellow producers, many of whom have become financially dependent on some of the present federal programs.

There is another vital element that must be addressed simultaneously. Our government must also face up to the reality of the world marketplace, and begin insisting that its trading partners recognize that free trade is not just a one-way proposition with red, white and blue markings on it.

It is with the premise that the federal government will become more aggressive in equalizing trade policies with other nations, that NPPC makes its farm policy recommendations.

Loan Rates - NPPC supports the setting of loan rates at levels that will operate (1) to stabilize commodity prices and either avert entirely or dampen the cyclical price swings that deter investment and undermine producer confidence and (2) allow prices for commodities to be set by the workings of supply and demand rather than with reference to the loan rates, thereby avoiding the establishment of artificially high prices, the attendant loss of export markets to foreign competitors, and the stimulation of excessive production, and (3) are both flexible and enduring over the long-run, rather than merely an ad hoc reaction to temporary conditions that must be revamped every year. To this end, we would endorse decreasing the current level of loan subsidization and replacing it with a program of loan rates that fluctuate and are adjusted in accordance with but fall distinctly below the average of recent years' markets, without any artificial floor that might cause the loan rate to approach or exceed the market price.

NPPC opposes any effort to create a two-tiered system that would allow commodities intended for export to be priced at market-clearing levels, while providing support for commodities for domestic consumption at a different and higher level. That is precisely the kind of program that would enhance the interest of some producer groups at the expense not only of other producers, but also of American consumers.

Target Prices - We would hope that eventually there would no longer be any need to retain programs to prop up producer income. If, however, that need continues to receive sufficient political support, the price supports established should float up or down with the loan rates rather than, as in the recent past, being fixed (on the basis of poor price forecasting) at some artificial figure unrelated to market prices. Deficiency payments made in connection with diversion or set-aside programs should not reward double-cropping the same acres (including using set-aside acreage to graze livestock).

Production Controls - NPPC does not encourage the imposition of any promotion controls that would significantly increase governmental outlays for agricultural programs. In particular, there should be no new programs exchanging payments for non-production of commodities that might result in increasing the supply of commodities that compete with pork.

Reserve - We support the termination of the existing farmer-owned grain reserves for corn on a gradual phased basis, designed to time its release into the market in such a way as to limit adverse price impact.

NPPC supports the concept of a farmer-owned reserve for wheat that would operate to provide for emergency overseas food needs rather than to bolster market prices.

We oppose the creation of any government-owned commodity reserves.

Dairy - The dairy industry is an important agriculture sector in every state. Milk is produced on 300,000 farms, about two-thirds of those commercial dairy farms. Dairy products worth $18.8 billion were sold in FY 1983, 14 percent of cash farm sales.

Federal dairy policy establishes milk price support levels which are achieved through purchases of cheese, butter, and nonfat dry milk; through a nation-wide system of market orders; and, through quotas on imported cheese. It is one of the most complex in the agricultural sector. But, the industry continues to face pressure for economic adjustment. The domestic market grows only slowly while productivity advances rapidly. Since 1970, milk output per cow has increased 30 percent in contrast to only a 13 percent growth in commercial use. Legislatively established price support levels have led to a very large

Commodity Credit Corporation (CCC) purchases of butter, cheese, and nonfat milk and high government costs.

For many years, the milk price support level was tied directly to parity. The 1977 Farm Act raised the minimum support level from 75 to 80 percent of parity, and it was held at that level until 1981. The 1981 Act reduced the minimum support to 75 percent of parity and gave the Agriculture Secretary flexibility for lower support when production was in surplus, but included a schedule of annual minimums.

However, surpluses and program costs have remained high. As a result, dairy provisions of the 1981 Act have been superseded twice. The FY 1982 Budget Act allowed the Secretary to forego the price support increases required in the 1981 Act and permitted a deduction of up to $1 per hundredweight (cwt) on all commercial sales. In November 1983, a 15 month voluntary program paid producers to cut production, reduced price supports for all producers by $1 per cwt, and continued a $0.50 per cwt. deduction on commercial sales.

The program in combination with lower price supports and sharply higher feed costs in 1984 (a result of Payment-in-Kind (PIK) and drought in 1983) has led to heavy culling, fewer cows, less milk per cow, and declining surpluses. At the same time, commercial use has been rising more rapidly than it has for several years, and net CCC purchases have been lower.

While CCC purchases have frequently been large, exceeding four billion pounds per year in 19 of the 34 years the program has been in operation, the extent of intervention in the dairy market in recent years is unprecedented. In 1953/54, CCC bought 11.3 billion pounds (at a cost of $500 million), the greatest amount until 1981. Since then, purchases have averaged 12.3 billion pounds and the government inventory has grown. The CCC, since 1950 has spent a total of $17.5 billion on dairy supports and donations. Costs over the last five years have accounted for 48 percent of the 34 year total.

The federal dairy program affects American consumers and livestock producers in several ways. Dairy price supports have held prices above market clearing levels and have reduced consumption. The import quotas and restrictions on international trade have emphasized this impact. The market order regulations have stabilized the regional price structure for fluid milk and limited regional product flows, as well as restricted the use of some products. While precise estimates are impossible, conservative estimates place the total annual cost to the American consumer of the milk program at $2 billion.

NPPC believes that the free market can achieve economies of production better than federal programs. We do not want to be placed at a competitive disadvantage by dairy producers whose very real problems depress the prices pork producers might otherwise receive for their product.

Pork producers encourage self-help programs which lead to systematic reductions of dairy herds, provided that pork producers are not placed at a competitive disadvantage by encouraging the unnatural and excessive marketing of domestic red meat. Depressing red meat prices below what pork producers might otherwise obtain or requiring taxpayers to subsidize dairy programs should not be the legislated policy of our federal government.

The Dairy and Tobacco Adjustment Act of 1983 should be preserved through Septmeber ~~30,~~ 1985. Under the terms of this law, on April 1, 1985 -- the day after the paid diversion program ends -- the dairy price support level may be cut another 50 cents per hundred weight if estimated annual CCC purchases exceed six billion pounds milk equivalent. In light of present estimates of quantities purchased by the CCC through legislated mandatory purchases of milk equivalent, these cuts will be instituted.

The federal government can only encourage a reduction in dairy herds by allowing milk prices to transmit the appropriate signals to dairy producers. Current projections suggest dairy price supports should be reduced to real market levels. Only then will milk producers be able to realistically determine the required production.

The transition for dairy farmers from heavy dependence on government regulations and price supports, to more market oriented programs will mean significant economic changes. However, such adjustments will reduce both U.S. Treasury and consumer costs, and in the long run will benefit dairy farmers.

The 1985 Farm Bill should modify the dairy program to enable market prices to reflect supply and demand conditions.

The price support provisions in the 1985 Bill should provide a transition to a longer term program that generally avoids market intervention and stock accumulation. Any income support efforts should be based on producer needs.

Price support levels should not be specified in law, nor should base levels be indexed. Price support minimums should be decreased gradually from current levels and eventually phased out. Programs that pay farmers to reduce production are not needed.

Export Initiatives - Although the market forces of supply and demand would, if left to their own devices, function well in the domestic context, that is not necessarily the case in the export market, where competition on an equal basis with foreign producers may require that the federal government intervene to offset unfair foreign marketing practices, rules, or subsidies and to develop foreign markets in a fashion not accomplishable by individual producers who lack governmental authority and cannot readily act in concert.

While the overseas market for pork appears to be limited at present to an amount that fluctuates between 2 and 3 percent of our annual production (approximately $250 - $300 million), NPPC is convinced that the government could do more to enhance the overseas sales of pork products and of all major commodities. Accordingly, we endorse exploration and implementation by the federal government of a wide range of export promotion initiatives that would increase the demand for American agriculture without entailing excessive budget costs. This may be accomplished through furnishing concessional loans or supporting Public Law 480, sales and donations to needy countries, or extending export credits or any other budget-sparing device. Subsidies should be resorted to by the United States only under conditions suggesting that they are necessary to combat subsidies already extended by competing countries that have displaced us from our traditional markets.

NPPC opposes any resort to trade embargoes or any threat to utilize them applied to any goods or services produced in the United States and intended for sale overseas that operates to undermine the confidence of overseas consumers in our reliability as a supplier. We especially oppose any embargo, threatened or actual, that would focus solely upon one or more agricultural products.

Resource Conservation - NPPC recognizes that future agricultural productivity in this country depends upon the continued availability of an adequate supply of ground water and fertile cropland. It is in the long-term interest of agriculture not to exhaust these resources for short-term profit. We support any so-called "sodbuster" legislation that would deny all federal program benefits for commodities produced on certified highly erodible or marginal land.

NPPC opposes any creation of a conservation reserve through buying-up and retiring fragile or marginal lands that have been used for production because we believe that such use of federal funds would reward improper agricultural practices. The excessive costs associated with farming such land should, absent any government payment, ultimately render such land unattractive for continued exploitation. In particular, we would strongly object to any paid conservation program that encourages the use of idled land for the purpose of raising livestock.

Research and Education - NPPC is convinced that the federal government is able to undertake research and consumer education programs that are beyond the means of individual commodity producers, including pork producers, but that enhance the well-being of the American consumer by assuring the provision of an abundant, safe supply of reasonably-priced food. We endorse the continuation and expansion of research that would lower costs and enhance consumption through (1) promoting the acceptability to the consumer of pork and pork products as a healthy component of a normal diet, (2) extending the shelf life of pork and pork products, (3) improving the efficiency by which feed is transformed into edible lean pork through the incentive of pricing systems based on lean meat or through technological change, and (4) improving the collection and distribution of market information and supply forecasting in order to overcome, or at least moderate, disastrously inefficient cycles of production.

Diet/Health - NPPC urges the House to review the current process of developing public policy relating to nutrition messages to consumers.

We feel it is imperative that Congress establish a mechanism for the coordination of messages that government sends to the consuming public about the nutritional contribution of animal-based products and insure that any such advice is derived from sound scientific research. Government messages to consumers must not pit one government agency against another.

The government has to recognize the serious economic impact of any unfounded negative statements about the consumption of meat or livestock products that it makes or endorses and take special care before becoming involved in adversely affecting consumer demand.

The federal government engages in substantial purchases of commodities under specific programs intended to furnish foodstuffs to needy families regardless of their composition, the elderly, school children, charitable institutions, day care programs and summer camps. All told, commodity purchases for these purposes in fiscal year 1983 amounted to nearly $1.4 billion. As long as these programs continue to be funded, they should be administered in such a fashion that they do not discriminate among competitive red meat products.

In fiscal year 1983, $10 worth of beef was purchased for these donations for every $1 worth of pork, and $7.50 worth of chicken and turkey for every $1 worth of pork. The lasting effect of these discriminatory purchases and subsequent donations is to suggest, particularly to school children in their formative years (where in the school food program, the beef-to-pork and poultry-to-pork ratios were 30 to 1 and 20 to 1, respectively), that it is better to eat beef, chicken and turkey than to consume pork. Lifelong consumption habits that undermine the sales of pork and pork products are likely to result from this pattern of governmental favoritism. The government should exhibit scrupulous neutrality among competing products in handling its commodity purchases and donations.

Mr. Chairman, I thank you for this opportunity to be heard. If there are any questions, I will be glad to try to answer them.

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FOR THE RECORD

STATEMENT OF THE AMERICAN SOYBEAN ASSOCIATION

House Committee on Agriculture
March 21, 1985

The American Soybean Association is a national non-profit commodity organization controlled by soybean farmers. ASA has some 25,000 dues-paying members and receives financial support from 420,000 farmers in 24 states who voluntarily invest in ASA activities through checkoff programs. Its objective is to build profits for America's 520,000 soybean farmers. ASA's major activities include expanding exports, promoting domestic sales, sponsoring soybean research, working for favorable public policies and providing information.

Soybeans have often been called America's miracle crop. The industry really began in the 1920s when soybeans were first grown in the Midwest. In these early years, soybeans were raised mainly as a cover crop and, in their raw form, for use as livestock feed. The commodity's potential as a source of vegetable oil was recognized during World War II, and by the end of the war production had more than doubled, to 193 million bushels.

But that was only the beginning. Thanks to improved refining and processing technology, the soybean finds its way into salad oil, margarine, shortening and a host of other everyday products; combine that with the use of soybean meal in poultry and swine rations, and you can see why the demand for what we grow has skyrocketed. Between 1945 and 1961, production doubled and then doubled again. The first billion-bushel crop was grown in 1968; the two billion mark came in 1979.

The 1984 soybean crop has a farm value of $12.6 billion. During this marketing year, soybeans and their products will be exported to the tune of $7.5 billion. American farmers last fall harvested 66.8 million acres of beans and netted 1.9 billion bushels. Soybeans regularly run neck-and-neck with corn for the title of America's largest cash crop, while the soybean complex (beans, meal and oil) is consistently our largest agricultural export earner.

The tremendous surge in demand for our crop over the last few decades isn't just an American phenomenon. People all over the world consume U.S. soybeans in various forms -- in fact, 53 percent of the 1984 crop will be exported, either as raw beans or as processed meal and oil. And the growth in demand didn't just happen, either -- U.S. producers invested in aggressive market development and sales promotion.

Given the choice between government protection and the marketplace, U.S. soybean farmers haven't hesitated to choose the market. Assuredly, there are federal programs from which soybean farmers, like all Americans, derive benefits. But it's easier to list what government hasn't done for soybean farmers than what it has done:

- There has never been a target price or any other direct federal payment for soybeans.
- There has never been a set-aside or diversion program for soybeans.
- There has never been a reserve program for soybeans, nor have there been storage payments.

Soybean farmers like it that way. Like everyone in agriculture these days, we have problems. The state of agriculture in 1985 is not good. But we don't believe that America's farmers will be better off if we transform agriculture into a public utility, with the federal government making all the major decisions.

The American Soybean Association supports a pro-trade agricultural policy that will allow the United States to be the preferred supplier of agricultural products for the world market. Such a policy requires a lot more than just passing an agricultural bill. For example, U.S. farmers face no more pressing problem than the overvalued U.S. dollar -- it's pricing us out of world markets and allowing other countries to undersell us. Another factor in the current agricultural crisis is high real interest rates -- debt service has become farmers' fastest-rising cost of production.

We believe both of these problems are linked to the huge federal deficits that keep real interest rates at high levels. That's why we believe deficit reduction should be the first priority of domestic policy. That primarily means restraining federal spending. Farmers are willing to accept their fair share of the cuts if others do likewise, but they don't believe it's fair for agriculture to undergo severe cuts while some other parts of government see only reductions in their rate of increase.

MAKING AGRICULTURAL POLICY "PRO-TRADE"

ASA believes agricultural export policy should be Title I of the new Ag Bill. It's time to declare to our competitors that selling, not storing, is our top priority.

Clearly, agriculture has to set priorities in this new legislation. We must decide what kinds of policies the agricultural community wants -- and what taxpayers can afford. In a time of lean budgets, we must make hard choices about what's important to us.

ASA does not believe U.S. agriculture can prosper without expanded exports. It therefore behooves the nation to work toward a fair international trade arena. And it behooves us to devote some resources to competing and selling.

ASA supports a coherent system of Sales Financing and Infrastructure Development (SFID) as the best way to tailor our sales efforts to our customers' buying needs and abilities. This concept should have two primary applications:

- Direct Sales Expansion, primarily through credit packages for foreign purchasers of U.S. commodities, in the form of both direct credit and credit guarantees; and
- Infrastructural Investment to build up countries' long-term capacity to buy and utilize U.S. products.

Each application calls for somewhat different programs. Direct Sales Expansion, for instance, should include (1) traditional programs like GSM-102 guarantees and GSM-5 credits; (2) a new intermediate "bridge" program to provide export credit with 3-10 year repayment terms for countries who cannot meet GSM-102 terms but have moved beyond P.L. 480 donations; and (3) an enhanced Food for Peace program for countries at the bottom of the economic ladder -- perhaps in combination with the President's Food for Progress initiative.

Infrastructural Investment also makes long-term sense. Until a country can receive, store and distribute commodities efficiently, its potential as a U.S. market is limited. Infrastructure lending should be used to finance improvements in a country's capacity to handle, store, market, process and distribute U.S. commodities. Repayments should be set up on a 3-10 year schedule. A portion of the repayment should be made in local currency, and used by USDA-approved cooperator groups for market development activities within the country.

The SFID concept embraces forms of direct aid like Food for Peace. Where possible, though, it relies on providing financing packages which can make it more attractive to buy from the United States. In this way, we can move toward our goal: supplier of first resort, not last. SFID can help the U.S. build markets ... and keep them.

We will not be able to build markets, however -- indeed, we will not even be able to keep the ones we have -- if government insists on crippling the very programs designed to restore U.S. market share. One very pertinent example: the recent court decision that cargo preference laws must apply to USDA's blended credit program. Because cargo preference means higher shipping costs due to uncompetitive U.S.-flag rates, this decision basically prices the blended credit program out of the world market. The same thing will happen to the GSM-102 credit guarantee program if subsequent lawsuits render it subject to cargo preference as well. There's only one answer, Mr. Chairman: Congress must reverse this court ruling, and at the same time make a basic reform of the nation's maritime policies. Cargo preference is a subsidy to the U.S. merchant fleet, and as such it should not come out of the USDA budget. If our merchant fleet is a matter of national security, then cargo preference should be part of the Defense budget. We need truth in budgeting, and we need a total exemption from cargo preference for agricultural commodities, including those shipped under the Food for Peace program.

THE SOYBEAN LOAN PROGRAM

When it comes to the loan program for soybeans, ASA is reminded of an old saying: "If it ain't broke, don't fix it." We believe the soybean loan program should continue in its present form.

It's important to understand the purpose of the soybean loan program. It is not intended to guarantee soybean farmers a profit. It is not intended to set the market price.

Soybean farmers view the loan program as a source of credit and cash flow, and a protection against really precipitous price drops. By that standard, it's worked quite well. The program begins with an average of market prices for the last five years, dropping the high and low years. The loan rate is set at 75 percent of this average, with a $5.02 minimum. This minimum, in turn, could fall if prices averaged less than 105 percent of the loan. That hasn't happened, but if it did, the loan rate could be reduced 10 percent per year, but not to less than $4.50 per bushel.

ASA asks Congress to extend this program unchanged. Specifically, Mr. Chairman, American soybean farmers are saying:

* Don't spend taxpayers' money on deficiency payments for soybeans.

* Don't distort the market with a high soybean loan rate.

* Don't allow the government to establish a soybean reserve or make storage payments for soybeans.

* Don't encourage foreign production of soybeans by restricting what U.S. soybean farmers can grow.

* Don't provide an artificial incentive for excess production by allowing soybeans to be planted on land that's idled under government programs for other crops.

Let me repeat that the soybean loan program has been a success. It assuredly hasn't kept soybean farmers from feeling the same pain that all of agriculture has undergone in recent years -- but nobody could reasonably have expected it to do that.

There haven't been unmanageable soybean surpluses. During the past nine marketing years, the ratio of ending soybean stocks to total use has averaged 12.1 percent, the lowest of all the major program crops.

During the 1981-83 period, a very difficult time, the ratio of farm prices to production costs was higher for soybeans than for any other major program crop. The same pattern emerges if you use the older "parity" concept for comparison.

Finally, the soybean loan program hasn't been expensive to taxpayers. In some years, in fact, more money is taken in through loan repayments than is lent out. During the 1980-1984 period, average net expenditures for the soybean loan program were just $14.9 million annually. By comparison, some commodities with comparable farmgate value cost taxpayers over 100 times as much as did soybeans.

Different commodities have different characteristics and needs -- ASA doesn't seek to influence commodity programs which have no impact on soybeans. But our loan program works for soybean farmers. It works for the taxpayer. It should continue unchanged.

OTHER ISSUES

Many other elements must go into a successful 1985 Ag Bill. Funding for cooperative market development, for example, should continue, with adequate resources from both farmers and the public. In addition, the nation should reaffirm and renew its commitment to agricultural research and extension -- an investment that has traditionally paid a very high rate of return. ASA believes our nation's research effort should focus on increased product utilization, improved production efficiency and lower costs of production.

We also support a national effort to conserve soil and water resources for future generations. Continued cooperative efforts with landowners, like the Agricultural Conservation Program, are very important.

At the same time, the Soybean Association strongly supports allowing states and local areas to determine conservation practices that best meet local needs, rather than having all decisions made in Washignton. Conservation should be a voluntary effort, and people who know the soil and water conditions in their own areas are usually better able to steward the resource base than bureaucrats far away in Washington. Conservation should be a matter of cooperation, not coercion -- though there is no reason for taxpayers to subsidize crops grown on highly erodible land that hasn't been in production before.

ASA would like to thank the Committee for considering our views on the 1985 Agricultural Bill. Our nation has some critical choices to make about agricultural policy. We must be honest enough to admit that the world has changed. What worked in 1935 may not work in 1985. Today's agriculture is a dynamic, changing industry that depends as never before on international markets. If it is to succeed, agricultural policy must respond to those markets. That does not mean that there is no role for government -- there's certainly a proper federal role, for example, in combatting foreign export subsidies and trade barriers. But we should recognize both the limits and the dangers of excessive reliance on government. The marketplace is where farmers must ultimately get what they need: restored profitability.

March 15, 1985

Congressman Bill Nichols
2405 Rayburn Building
Washington, DC 20515

Dear Bill:

I appreciate the invitation to address the House Agriculture Committee and regret that I must decline due to such short notice and also due to this being one of my busiest times as we are implanting, sorting and putting our cattle on spring grazing.

As you requested, I am stating some of my thoughts about agriculture and the next farm bill.

First, let me say that in 1976 when we organized the Coosa Valley Feeder Calf Association, there were 132 million head of cattle in the United States. This was more than we could sell at a profit. Today there are 109 million head in the U.S. The cattle industry made the very painful adjustment without requesting any assistance from the federal government. It never entered our mind that it was the taxpayers responsibility to pay us to reduce our herds as was done for the dairy industry with their PIK program. We, in the beef industry, have found that we have been so adversely affected by programs that are passed by Congress to aid grain and dairy farmers that we must speak out to protect our industry.

Let me illustrate what I mean - The PIK program for the grain farmer raised the price of corn 90¢ a bushel from Feb 1983 to May 1983 when we sold our cattle. There is a formula in the cattle circles that we all know - a 10¢ a bushel increase in corn prices means $1 per hundred less that we receive for our feeder cattle. In less than three months time our price declined $9 per hundred from what it would have been without the PIK program. This program was so lucrative that the grain farmer, with help from the drought, cut their production from 8 billion bushels in 1982 to 4 billion in 1983. Corn prices continued to increase and in May 1984 when we sold our next crop they were $1.30 higher than in Feb 1983. The dairy industry, never being bashful about federal handouts, liked what they saw and enticed Congress to pass a PIK program for them. It made no difference that they had been paid to overproduce with high supports since 1949. They are receiving high supports to increase production at the same time they are being paid to cut production with the PIK program. There is another formula in the beef industry. Any time you increase slaughter 5% you reduce the price of beef 10%. This dairy PIK program increased slaughter 5% in the first 3 months of 1984. This, along with the grain PIK program, reduced our price $18 per hundred from what it would have been without them.

Just one word about the feeder cattle industry. There are more feeder Calf producers than there are grain producers and dairymen combined. The livestock industry, which includes beef, pork and poultry, receives no price supports. They comprise two-third's of agriculture.

My thoughts on the 1985 farm bill are: nothing will help the grain farmer as long as the dollar remains 50% over-valued. When I began farming 34 years ago, a 100 bushel-to-the-acre corn was unheard of. Now the national average is more than 100 bushels to the acre. Without exports, the grain farmer is doomed. Nothing passed in Congress will have any lasting effect. The solution to the farm problem is to balance the federal budget. This will bring interest rates down and this in turn will cause the dollar to fall in value. Nothing else will have any long-term effect on agriculture. A 50 billion dollar cut in the federal budget is insignificant. A 200 billion dollar cut in money transfers from the treasury to people is what is needed.

I don't feel that Congress will do much of anything until the nation is on the brink of financial collapse (which is definitely not far off). I have been saying for some time that a generation of farmers is being sacrificed to the special interests that control Congress.

Again, may I say that I regret not having been able to speak in person to the House of Agriculture Committee.

Sincerely,

Harvey Camp

Harvey E. Camp
P.O. Box 8
Eastaboga, AL 36260

A STATEMENT FROM
THE AMERICAN BEEKEEPING FEDERATION, INCORPORATED

My name is Randall Johnson. I am appearing today as Vice-President of the American Beekeeping Federation which is a national beekeeping organization representing approximately 1800 commercial, part-time, and hobbyist beekeepers from all of the 50 states. I am also a commercial beekeeper with operations in Idaho, California, and Oregon.

All too often when thinking about the importance of honey bees and the beekeeping industry people think only in terms of the value of the honey and beeswax produced. While this $200 million plus is not an insignificant amount it doesn't begin to compare with the $19-20 billion worth of crops produced in this country which are totally dependent on, or whose yield or quality is improved by, insect pollination. Since the honey bee is the only pollinating insect whose numbers can be easily and quickly increased as needed, honey bees provide the major share of this pollination activity. Without a strong and healthy commercial beekeeping industry to supply this need, production of many of our nuts, fruit and vegetable crops would no longer be economically feasible.

Since commercial beekeepers derive most of their income from the sale of honey, a stable market for this product is essential if the industry is to survive. Those who suggest that pollination fees should be the major source of income rather than honey sales fail to recognize that the honey bee is a wide ranging insect frequently flying several miles during its foraging flights. This characteristic makes it impossible to determine which bees are pollinating which fields and to negotiate pollination contracts accordingly.

We all recognize that in the last few years we have not had a stable honey market in this country as more and more of our domestic markets for honey are taken over by low cost, imported honey. For example, imports have increased from 49 million pounds in 1980 to almost 130 million pounds in 1984. During this same period, acquisitions by the Commodity Credit Corporation have increased from 6.0 million pounds to more than 100 million pounds.

There are those who blame the high U. S. support price for the present distressed market situation and call for an end to the price support program as a means of getting rid of surplus supplies and making the domestic honey competitive in the world market place. Those who support such a course of action ignore two very important facts. First is that the present price support program has not stimulated any increased honey production in this country. In fact, our total production has remained firmly constant for many years and our total number of colonies has declined by almost 1 million colonies since 1955.

Secondly, those calling for the elimination of the Honey Price Support program also ignore the fact that there are many worldwide economic conditions that have caused the United States to become the dumping ground for much of the world's total production.

During the period of 1976 through 1980, four countries - China, Mexico, Argentina, and Canada - who were already major producers of honey (see Table #1) increased their production significantly thereby adding to the total available supply without a corresponding increase in world honey consumption. The supply of honey from major world producers was approximately 1 billion pounds annually during the early 1970's. The annual available production increased to 1.8 billion pounds by the late 1970's and is now approximately 2 billion pounds per year. World production will probably continue to show small increases at current world price levels and with the continuing availability of the U. S. market for foreign produced honey.

Although the world production increased substantially during the late 70's honey continued to be marketed through normal channels in the U. S. until 1980/81. During this same period of time important changes were taking place in the prices of many world commodities and metals. Sugar, cocoa, and coffee reached a new high and then suffered severe price drops in the world market in the period of 1979-1981. Gold, silver, copper and other metals also were reaching new highs, then losing value in the foreign exchange market. The value of the dollar at the same time was increasing on the world market. Interest rates in the U. S. reached all-time highs. Due to these changes in the world markets, debtor nations, such as Mexico, Argentina, Brazil and others, had to find additional quantities or new products to export and generate hard currency income to meet their debt commitments. Honey was one of the products that could help some of these countries with their international obligations and they increased their production and exports accordingly. (See Table #2). Trade between the U. S. and China was also increasing and honey was an agricultural product they could export to partially offset the value of other products they needed to import. Very quickly China became a major supplier to the U. S.

The members of the American Beekeeping Federation do not believe that the conditions which led to the present situation in the U. S. marketplace will change in the immediate future. We see a continuing oversupply situation with its consequent low prices on imported honey. Interest rates are still an important factor in debtor countries' efforts to generate hard currency income through exports. The dollar remains at all-time highs and continues to strengthen and increase in value in the world money markets. The potential for increasing honey production in foreign countries appears to be greater then in the United States. The cost of producing honey and providing pollination services in the U. S. continues to increase. This increase is, in part, due to the continuing application of high taxes for FICA, unemployment and workman's compensation. Beekeeping continues to be a labor intensive industry regardless of whether the commercial beekeeper is involved in honey production, crop pollination or both.

The beekeeping industry recognized the possible impact of imported honey on the domestic market and in 1975 petitioned the International Trade Commission to investigate the affect of honey imports on the domestic industry in accordance with Section 201 of the Trade Act of 1974. The Commission completed its investigation and reported in favor of the industry's petition. The Commission recommended the application of additional duty on imports above 30 million pounds per year. The President decided it was not in the best economic interest of the United States to impose import tariffs on honey at that time and subsequent attempts to obtain either quotas or tariffs to provide relief from imports under Section 22 of the Agricultural Adjustment Act and Section 201 of the 1974 Trade Act have not been successful.

In 1983 the American Beekeeping Federation officers initiated the development of a "self-help" program to promote increased use of honey. In this program mandatory assessments will be levied on both domestic honey producers and importers of honey. The Honey Promotion and Consumer Education Act was approved by the U. S. House of Representatives and the Senate and signed by the President in 1984. The membership of the American Beekeeping Federation supports this industry self-help program and has instructed its officers to proceed with the development of testimony to be presented at public hearings. The Federation hopes hearings on the Promotion Plan will be held during June or July 1985. If the hearings are successful, we hope that the referendum can be scheduled in November or December 1985.

At the present time the support for the adoption of the Honey Promotion Plan is widespread throughout the industry. However, any substantial change in the Honey Price Support program could cause a negative reaction by beekeepers to the "self-help" program. All beekeepers would suffer great economic loss with any significant reduction in the price of honey and some might feel that they could not afford the proposed assessment. We believe that it is vital to the future of the industry that we be given the opportunity to decide on the Honey Promotion and Consumer Education Plan and, if approved, the opportunity to normalize the honey markets in the United States through the increased use of domestically produced honey.

The U. S. honey industry continues to operate in world markets from a disadvantageous position as compared with most other nations due to a tariff level of one cent per pound on imported honey. This compares to other importing and exporting countries as follows:

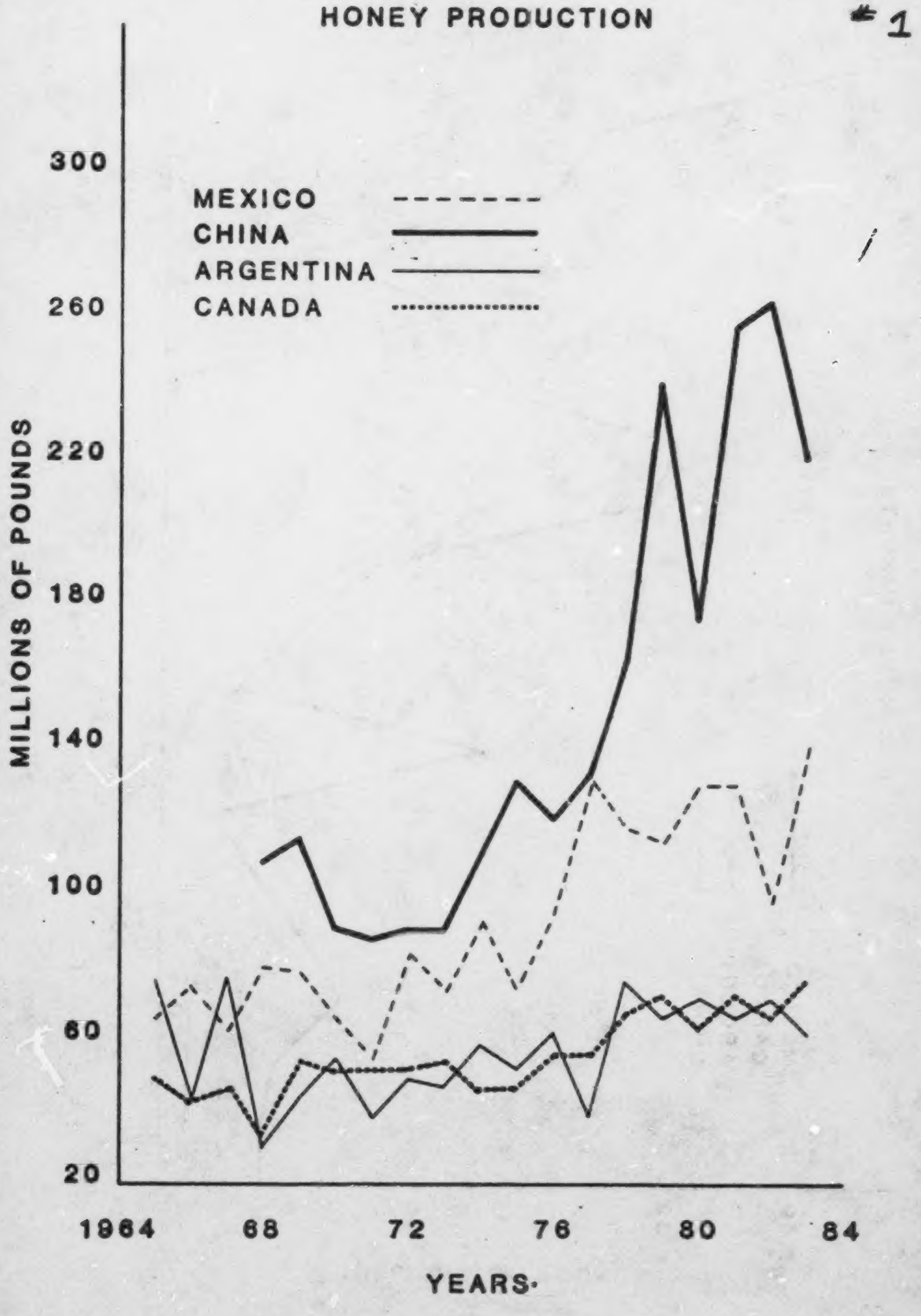
United States	1 cent/pound
West Germany and other EEC Countries	27% ad valorem
Australia	2% ad valorem
Japan	30% ad valorem
Canada	1.5 cents/pound
Mexico	50% ad valorem + 2% export surcharge + 1.5% port improvements
Argentina	28% ad valorem
China	80% ad valorem
Brazil	Imports Prohibited

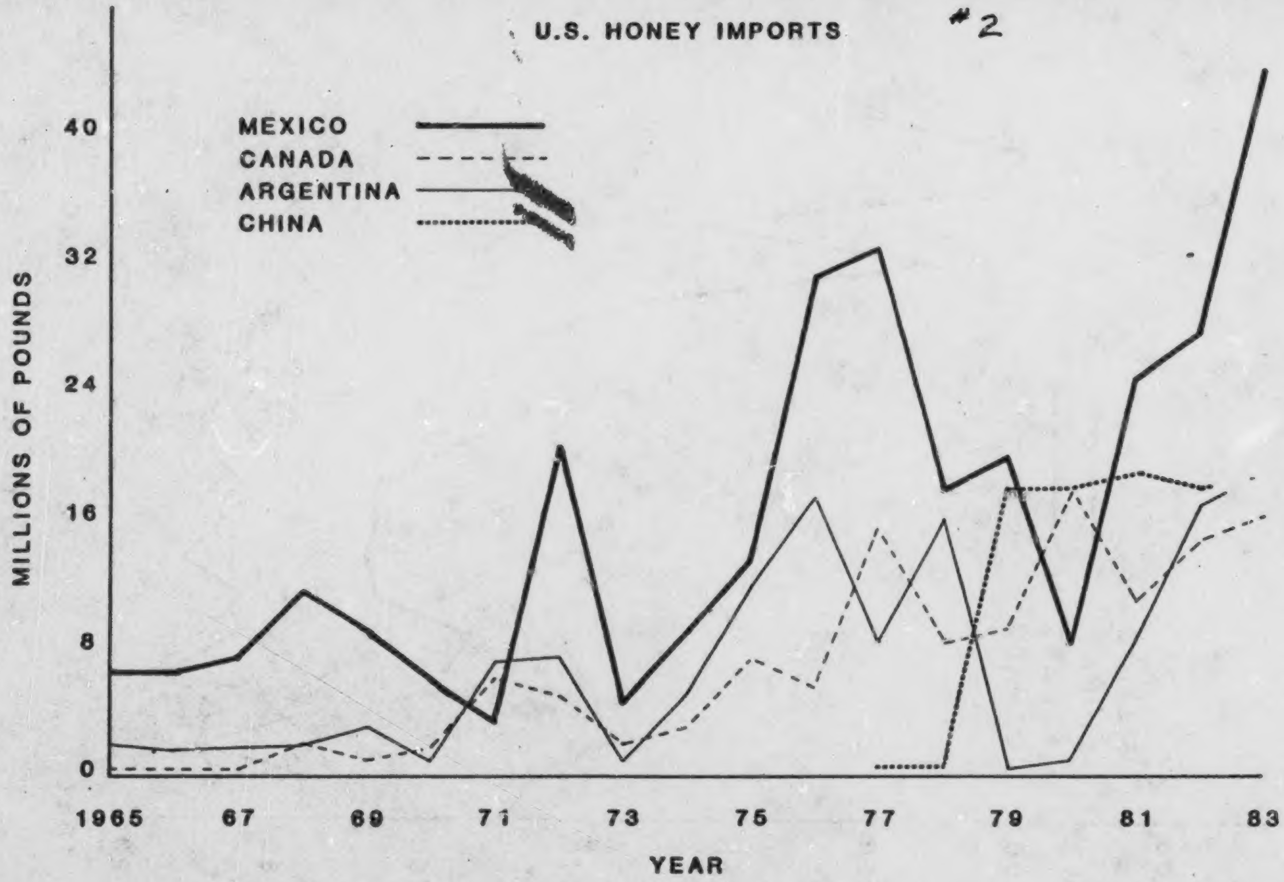
Such tariff differentials make the U. S. market the most attractive and best priced market in the world. The strength of the dollar adds to and enhances the value of the U. S. market for foreign honey producers and their govenments. At the present level of consumption there is no way that the U. S. market can continue to absorb the current and future world surplus of honey without drastically reducing the income of the U. S. honey producer. We disagree with those who claim that quotas or increased tariffs would result in higher prices for the U. S. consumer. Certainly the flood of low cost, imported honey wasn't accompanied by any decline in prices at the retail level.

The membership of the American Beekeeping Federation requests your consideration as follows:

1. Continue the present Honey Price Support and Loan Program as provided in the 1949 Farm legislation.

2. Support the industry in obtaining tariffs and/or quotas on imported honey under the provisions of Section 22 of the Agricultural Adjustment Act or Section 201 of the 1974 Trade Act.


HONEY PRODUCTION
#1
MEXICO
CHINA
ARGENTINA
CANADA
MILLIONS OF POUNDS
300
260
220
180
140
100
60
20
1964
68
72
76
80
84
YEARS


U.S. HONEY IMPORTS
MEXICO
CANADA
ARGENTINA
CHINA
MILLIONS OF POUNDS
40
32
24
16
8
0
1965
67
69
71
73
75
77
79
81
83
YEAR

#2

U.S. HONEY ACTIVITY 1962–1984
(Millions of pounds)

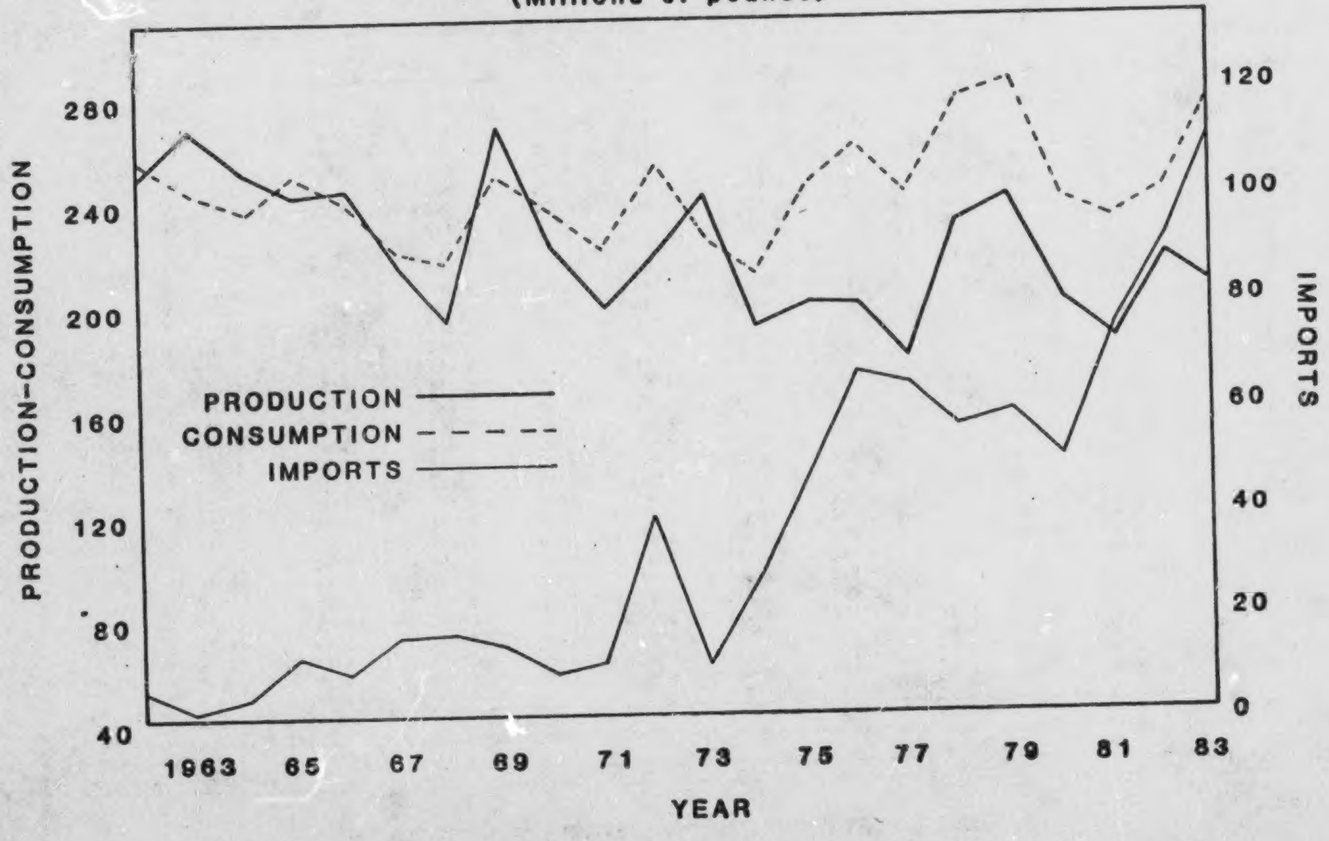


TABLE 1

HONEY: Colony Numbers, Yield, Supply, Disposition and Program Activity

Calendar (crop) Year	Production Factor		Supply				Disposition				Program Activity	
	Colony Numbers	Yield per Colony	Production	Carryin	Imports	Total Supply	Domestic Use	Exports	Total Use	Carry-over	Loans Made	CCC Take-over
	1,000	pounds	million pounds									
1955	5,252	48.6	255.2	41.1	9.9	306.2	229.1	20.5	249.6	56.6	1.8	0
1956	5,195	41.2	214.0	56.6	4.8	275.4	207.7	18.2	227.9	49.5	1.6	0
1957	5,199	46.4	241.2	49.5	4.8	295.5	211.7	19.8	231.5	64.0	2.9	0.1
1958	5,152	50.6	260.5	64.0	3.9	328.4	234.9	22.4	257.3	71.1	5.6	2.0
1959	5,109	46.3	236.6	71.1	4.5	312.2	259.7	12.5	255.2	60.0	1.3	0
1960	5,009	48.5	242.8	60.0	12.4	315.2	253.6	9.4	263.0	52.2	1.1	0
1961	4,992	51.3	255.9	52.2	9.0	317.1	241.8	7.2	249.0	68.1	4.2	1.1
1962	4,900	50.9	249.6	68.1	7.1	324.8	255.3	13.6	268.9	55.9	3.4	0
1963	4,849	55.0	266.8	55.9	2.6	325.3	245.1	25.1	270.2	55.1	3.2	0
1964	4,840	51.9	251.2	55.1	4.9	311.2	236.5	8.9	245.4	65.8	9.5	2.2
1965	4,718	51.3	241.8	65.8	13.3	320.9	249.4	13.8	263.2	57.7	17.3	3.3
1966	4,646	52.0	241.6	57.7	9.5	308.8	239.1	14.4	253.5	55.3	33.9	4.1
1967	4,635	46.6	215.8	55.3	16.8	287.9	219.5	11.7	231.2	56.7	31.0	5.4
1968	4,539	42.2	191.4	56.7	16.9	265.0	215.9	8.1	224.0	41.0	24.9	0.1
1969	4,433	60.3	267.5	41.0	14.7	323.2	250.6	9.9	260.5	62.7	45.7	3.5
1970	4,285	51.7	221.7	62.7	8.9	293.3	234.6	8.1	242.8	50.6	40.6	1/
1971	4,107	48.2	197.8	50.6	11.4	259.8	219.9	7.6	227.5	32.3	22.9	0
1972	4,085	52.8	215.6	32.3	39.0	286.9	252.7	4.1	256.8	30.1	19.8	0
1973	4,124	58.0	239.1	30.1	10.7	279.9	224.9	17.6	242.5	37.4	12.1	0
1974	4,210	44.6	187.9	37.4	26.0	251.3	212.3	4.6	216.9	34.4	13.9	0
1975	4,206	47.4	199.2	34.4	46.4	280.0	242.8	4.0	246.8	33.2	3/	0
1976	4,269	46.4	198.0	33.2	66.5	297.7	258.7	4.7	263.4	34.3	3/	0
1977	4,323	41.2	178.1	34.3	63.5	276.3	240.8	5.5	246.3	30.0	14.1	0
1978	4,090	56.6	231.5	30.0	56.0	317.5	277.3	8.0	285.3	32.2	40.5	0
1979	4,163	57.3	238.7	32.2	58.6	329.5	282.7	8.8	291.5	38.0	49.1	0
1980	4,141	48.2	199.8	38.0	49.0	286.8	226.2	8.5	234.7	52.1	41.1	6.0
1981	4,213	44.1	185.9	52.1	77.3	315.3	232.0	9.2	241.2	74.1 2/	55.2	38.7
1982 4/	4,250	54.1	230.0	74.1	92.0	396.1	250.8	8.5	250.3	136.8 2/	88.4	80.0
1983 5/	4,275	48.0	205.0	136.8	109.8	451.6	277.9	7.5	285.4	165.2 2/	113.5	114.9
1984	4,350	38.0	165.0	165.2	128.7	458.9	267.2	7.5	267.7	184.5	107.2	110.0

1/ 5,900 pounds.
2/ Includes Government loan and inventory stocks and estimate of free stocks.
3/ Loan program discontinued.
4/ Data other than imports, exports and price support program activity are estimated.
5/ Projected.

3/21/85

I.S.A. Newsletter

PUBLISHED BY INDEPENDENT STOCKGROWERS OF AMERICA

(South Dakota Division)

Address Communications to:
Homer Ayres, Editor
I. S. A. Newsletter
Box 102
Sturgis, SD 57785

Congressman E. (Kika) De La Graza
Chairman, House Agriculture Committee
Washington, D.C.
Dear Mr. Chairman:

Enclosed is the testimony that we are submitting to the Agriculture Committee of the House, for the 1985 Farm Bill. The question has arisen concerning the cost of the proposal. You may recall that I visited with you about the proposal embodied in this testimony on the day that the Secretary testified concerning the Administration's proposal. You indicated that your staff would be making a determination as to what the cost might be and that I was to contact your staff economist the next day to go over the details, which I did. While we are interested too in what the cost might be and would like a copy of the study when completed, it is our feeling that the cost of not saving America's family farm system should be concidered first.

I came away from Washington with the feeling that there is little understanding among congressmen of the seriousness of the problems in rural America. I am a member of the board of directors of the Northwest South Dakota Production Credit Association. Our Association is in deep trouble and in grave danger of being liquidated under the rules of the Farm Credit System. Just in the last twelve month, ending January 31, 1985 we have had to chargeoff some $2.3 million for bad loans. The Association does not have the reserves to continue much longer without help.

Our Association, in the northwest corner of the state, serves primarily livestock producers both cattle and sheep but mostly cattle.

At the present time 28% of our loans are in the problem: vulnerable and loss catagory. All of the loans in the vulnerable and loss catagories are primarily livestock loans. When the Secretary of Agriculture makes the statement that the large segement of agriculture which has not had government support is the most healthy, meaning the livestock industry, indicates that he is either misinformed and out of touch with reality or is delibertly attempting to decieve the public.

We submit, Mr. Chairman, that all of agriculture is in trouble and in need of immediate help, cattle and sheep men as well as farmers. PCA's, rural banks and rural businesses are being threatened because Agricultural producers are saddled with the major part of the cost of national food policy. The proposal that we are presenting here would protect all of America's farmers and help bring about recovery to rural America. The cost of national food policy would be spread more evenly across the backs of all of our citizens. If adopted and properly implemented our proposal would be a true safety net for all of Agriculture.

Respectfully,

George L.

George Levin, Board Chairman,
Independent Stockgrowers of America
Box 565, Sturgis, SD 57785

(Attachment follows:)

I.S.A. Newsletter

PUBLISHED BY INDEPENDENT STOCKGROWERS OF AMERICA

(South Dakota Division)

Address Communications to: *Homer Ayres, Editor*
I. S. A. Newsletter
Box 102
Sturgis, SD 57785

To: The House Agriculture Committee, U.S. House of Representatives.

Greetings:

In presenting this proposal for a farm-ranch program to the Congress, and to the public, I.S.A. emphatically points out that it is a COMPLETE PROGRAM, covering all farm and ranch products. It is not a partial program like other organizations seem to be presenting.

We want all the readers of this to take this into consideration.

As the emphasis today is placed on preserving the family farm unit of production, commonly known as the "family farm," it is difficult to think of what has long been called the "back bone of the nation," without livestock.

Once the range lands of the plains and mountains become corporate institutions, they will control where the life of a good lot of livestock begins, and will thus control all of agriculture.

Respectfully

George Levin, Chair Person of the Board,
Independent Stockgrowers of America.

P.O. Box 565
Sturgis, SD. 57785.

The long-time U.S. policy of encouraging abundant food production and using this abundance to influence international affairs has had an adverse effect on the agricultural community, but not in our history has its impact been so devastating as today.

Many farmers and ranchers are being forced into bankruptcy or are facing that possibility, and rural communities are losing businesses as more and more of them take on the characteristics of ghost towns.

The back of agriculture is being broken. What has been called a cheap food policy, but more accurately, the low farm commodity price policy, is the major cause today of farm failures. The main aspect of this policy is that of using food as a weapon in international affairs, and its longstanding bipartisan support.

In 1974, Agriculture Secretary Earl Butz stated that food is a weapon; it is one of the principle tools in our negotating kit. Orville Freeman sounded a similar theme in 1961. At his swearing-in ceremony, the present Secretary, John Block, mentioned using food as a weapon and indicated that the Administration would continue the poliicy, as they have.

The cheap agricultural commodity prices policy is not the only aspect of the farmers' predicament. Of great importance is the weak or no bargaining position as they strive for their share of the economic pie. On the other side of the table are the powerful economic interests, many of them huge monopolies which dictate the prices farmers pay, and what farmers are paid for what they have to sell.

The New Deal programs implemented in the 1930s met the needs of agriculture. In the ten-year period, from 1942 to '52. farm prices averaged well above 100 percent of parity. The farm programs were working well at that point in time.

But that was before the government began to rely so heavily on using food as a weapon to enforce and implement the nation's policy. After 1952, we saw a determined effort to undermine the "ever normal granary" program and to seek lower domestic grain prices.

The cheap agricultural price policy was born, and today it is the dominant characteristic of America's food policy. About this same time, food retailing began to concentrate to set prices on beef on a national level, both wholesale and retail, to the detriment of consumers as well as cattle producers

Not only did they have the ability to fix prices, but they actually did, as was proven by admissible evidence in a San Francisco Federal District court. Even though the nation's largest retailers, A and P, found guilty of price-fixing, and paid out $10 million in damages, no one went to jail or was fined. The Justice Department chose to ignore the case.

Today, beef is selling over the counter at some of the highest prices in history, while cattlemen and ranchers are going into bankruptcy producing it. The failure on the part of the government to come to grips with the concentration of food retailing and the evolution of the cheap agricultural price policy were new factors in the agricultural equation that the New Deal farm programs were not structured to deal with.

Consequently, farmers and ranchers today stand virtually naked before the onslaugh of a national policy that they themselves must bear the major cost. That is why agriculture is in crisis today.

The government policy to keep farm commodity prices low is reflected in the 55 percent of parity for farm commodities today. In recent years it has seemed to be government policy to encourage the growth of monopolies and permit the weakening of antitrust laws, which puts farmers at an even greater disadvantage.

Allowing the rulings in the Supreme Court in the Illinois Brick case to go unchallanged is a case in point. That ruling, which prevents those who have dealt indirectly with alleged price fixers from collecting in antitrust action, had the effect of repealing the antitrust laws as far as the protection of agriculture was concerned.

Nor does increased exports or the lowering of interest rates provide a meaningful avenue of escape for distressed farmers. Agricultural exports have been doubled in the last ten years. Yet, today, many export commodities are selling below 50 percent of parity.

Reducing interest rates, even if were possible, in this time of huge budget deficits, would not help enough. More and more leading economists are saying big improvements in commodity prices are needed to to prevent the complete collapse of the rural economy and the financial instiitutions that serve it.

These and other factors, combined, deprive the farmers of any hope of getting their rightful share in the marketplace. Government policy, as it is sructured today, just does not permit it.

A small share of our population, agriculture, is called upon to bear the major cost of a national policy that is thought.

at least by our policy makers, to be in the interest of all, unless the government is willing to intervene in a way to spread the cost to all of society.

The 1985 farm bill must have as its main provision, a formula that will have the effect of equalizing the costs of national policies. Much precedent has been set in the past in this respect. If it can be agreed that all of us should bear the cost of national policy rather than one small group. Then it would be a fairly simple task to write a new farm bill.

I submit the following as a proposal that, if adopted, would have the effect of spreading the cost of national policy and would revitalize the rural communities and prevent mass foreclosures of independent farmers and ranchers and small-town businesses.

Under this proposal, the USDA would establish target prices at 100 percent of parity for all agricultural commodities. Under the provisions of the 1985 farm bill, each producer would be paid the difference between the average market price for the year and the parity price. These payments would be on whatever was produced, be it grain, livestock or livestock products, cotton, wool, vegetables, fruit and so forth.

Participation would be on a voluntary basis. Those wishing to participate will furnish evidence of sale to the local ASC office shortly after the end of the marketing year. Average selling prices will be known then for all commodities and it can be determined what the payment rate for each commodity will be: target price minus selling price equals payment rate.

These payments would be limited in a way that would not encourage the over-expansion in agriculture. They would apply only to the volume of production that would yield a net equal to the median income, and the median income is somewhere in the neighborhood of $24,000.

To further refine this proposal to prevent the influx of outside investors bent on taking advantage of the plan, any non-farm income in excess of two-thirds of the median income would be deducted from incentive payments due under this plan.

Agricultural producers who have non-farm income income will have the amount which is in excess of two-thirds of the median deducted from the payments they are eligible for. The volume of production will be determined to which target prices will apply.

Land costs will be treated as an expense along with normal cost of production expenses in determining that volume.

Advantages over the previous bills are:

1. A much smaller bureaucracy would be needed to administer the law.

There would be no need for allotments or quotas or price supports, thus drastically reducing the work load. Probably one person in a county could handle the paper work. Millions would be saved in administration costs that could go to help finance the program.

2. The marketplace will determine all prices. This should appeal to those who say they want a market-oriented agriculture. All Americans will be sharing some of the risks of the market.

3. The marketplace would be free to reflect quality.

4. Farmers will be paid only on what they produce. Some programs in the past paid farmers not to produce. This has been a sore spot for consumers. No one will be paid unless they produce under this plan. Farmers will be producing for the market.

5. The U.S. would become more competitive in the world markets.

Prices in the marketplace will no doubt fall making it possible to gain a bigger share of world trade and allow us to end our quarrel with the EEC over export subsidies. Lower prices would encourage more consumption at home and abroad so that a market could be found for all of our farm production.

6. Broad based support would be assured. Consumer, Church and Labor in the past have indicated that they would support farm bills with limits that were targeted at family farmers. They have not had much enthusiasm for previous programs which has seen the government going into the marketplace and bidding up prices in competition to them. And because they are not saving the small farms anyway.

7. For the first time a true safety net will be provided for family farmers. There is much retoric in Washington these days by politicians going to the point that family-type farmers must be the target for the new farm bill. This proposal does that.

8. Will end the distortion of America's agriculture production pattern, Programs in the past have drawn much fragil land into

cultivation because there were no programs for livestock. It seems safe to predict that under this plan that practice would cease. It would again become profitable to raise livestock on land that now is not suitable for farming.

9.Conservation of the soil would be greatly enhanced.

10. Compliance would be voluntary. Most farmers want voluntary programs. No one would be forced to participate.

11. The aautomatic phaseout would occur when parity becomes a reality in the marketplace.

Now, there is much that could be done to reduce the cost to government of this kind of program. Amending the Clayton Act to make it possible for ranchers and others to get more of a fair income in the marketplace --working with other exporting nations to raise world grain prices would make it possible for grain growers to get more of their income from the market.

Vigorous prosecution by the Justice Department of monopoly practices would translate into higher market prices and reduce government costs. This plan does not preclude or discourage any other effort to raise prices in the marketplace. It is only a safety net for family farmers.

It can be said that the farm programs have failed, and they have. But they have failed because they were not adapted to meet the changing needs. This failure does not justify eliminating farm programs any more than one could justify ending all law enforcement in our nation because we have not succeeded in stamping out all crime. That would be suicidal for the nation.

Finally, it is axiomatic, that agriculture, like any business, needs to have enough for what they sell to pay all expenses of their production, including depreciation, taxes, interest, family living and management and hired labor to keep in production without going into debt, something that makes their situation more precarious.

I have developed a farm-ranch program that will work, which I am presenting in behalf of the Independent Stockgrowers of America. It will provide the necessary economic weather for independent, family agriculture, which traditionally has been considered the backbone of the nation.

I hold that the welfare of the family farmers, and the rural towns that depend on this way of life is a great social problem, because the family agriculture produces the basis of human life, food and fiber. Thus it is encumbent upon society to protect its supply of life, and insure it, and the land from which it comes. Farmers and ranchers love the land, as they love their family and the family's possessions, and can be depended upon to take care of it.

The family farmers produce their own human replacements, children who begin to learn about the secrets of nature, even before school age.

The alternative to maintaining this independent, family system of agriculture, is "company" agriculture, corporate agriculture, if you will, that will view agriculture, not as a public trust, but as a means of producing profits for stockholders who seek the maximum from any stocks they hold. This would be food power over the entire citizenry.

There always/are/ those who cry: "What will it cost?" My answer to this: It will be a great catastrophe for the nation if our family farm system is wiped out.

I hope that the Congress will take this into consideration and make sure that our family system of agriculture is maintained and strengthened.

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Hubbard S. Russell, Chairman
California Cattlemen's Association Farm Policy Committee

My name is Hubbard S. Russell. I am a cattle rancher and reside at Box 167, New Cuyama, California 93254. I currently serve as the Chairman of the California Cattlemen's Association Farm Policy Committee, and this prepared statement is submitted in behalf of the California Cattlemen's Association.

The California Cattlemen's Association was organized in 1917 and for nearly 60 years has represented the interests and concerns of beef cattle producers in California. We currently represent over 3,000 beef cattle producers in this state. This statement reflects a policy resolution prepared by our Farm Policy Committee and adopted by the California Cattlemen's Association Board of Directors on May 1, 1984.

At the outset we would like to emphasize our firm conviction that the single most important contributor to the current economic depression in agriculture, and we believe a serious threat to our nations overall economy, is the burgeoning federal deficit. This deficit erodes our financial stability in several ways. Two effects particularly detrimental to agriculture are the upward pressure on interest rates, and on the value of the dollar which is so grossly overvalued in relation to other world currencies that it has significantly reduced our export market.

Nothing would do more to stimulate our economy across the board than a significant reduction in our federal deficit. Now is the time to start. We urge both Congress and the Administration to quit jockeying for political press - to demonstrate some real statesmanship in taking joint actions to significantly reduce government spending across the board -- and to realise that no significant dent can be made in the budget unless the two largest budget items, namely defense and entitlement programs, are included in the budget cutting process. If Congress and the Administration agree to including both these "sacred cows" in the budget cutting process, and require them to take proportionate cuts in their budgets, then some meaningful progress can and will be made on reducing the federal deficit this year.

With respect to Department of Agriculture budget cuts, we are willing to take our fair share of budget cuts. We have reviewed the proposed cuts in the USDA budget, and can live with most of the suggested cuts. However, there are two areas we wish to address. (1) Proposed cuts in agricultural research are short-sighted and ill advised. Research is what has given us the edge in out-producing the rest of the world, and in providing our consumers and consumers around the world an abundant supply of wholesome food and fiber at reasonable prices. Research is just as important to consumers as it is to producers, and we urge that research dollars not be cut. (2) We also must oppose the suggestion of imposing user fees on programs mandated by government for the protection of public health and safety. If we ask for a program to benefit us, then we should be willing to pay for it. But when government mandates a program on us to protect public health and safety, then government should pay for that program.

With respect to our domestic agricultural policy, we strongly support a move towards less government farm subsidies and a more market oriented farm program. But we cannot pull the rug out from agriculture overnight. No one believes more strongly than we do in a free market concept. And we support a 1985 farm bill that incorporates a phasing out of support programs for basic commodities. Target and loan prices must be brought down to market-clearing levels. We recommend that the process be started in the 1985 farm bill, but that we adopt a five-year phase down program so that producers who have been involved in support programs will have time to adjust. We also strongly support an eventual safety net support level for all commodities set at a level which reflects an efficient producers cost of production. In all farm programs, every effort must be made to ensure that programs designed to help one commodity group do not result in a negative impact on other commodities. In this regard we strongly oppose the grazing of diverted acres. We also oppose paid dairy diversion programs. The beef cattle industry should not be the victim of an articicial drop in beef prices caused by subsidized dairy cow slaughter. We recognize dairymen are having a difficult time adjusting to a severe supply-demand imbalance, and we will support them in efforts to develop better pricing formulas and in other programs, so long as such programs do not adversely impact on the beef cattle industry. Dairy herd reduction, which must come about, will inevitably have a downward impact on beef prices. But such reduction must result from economic decisions by individual dairy producers, not from a government subsidy to cull diary cows.

With respect to U.S. Foreign Policy, we are adamant in our belief that agriculture must play a more significant role in foreign policy decisions. In the past, our foreign trade negotiators have too often sacrificed American agriculture for other concessions. Foreign trade policy implementation is dominated by the State Department and it is our observation that the State Department does not recognize or understand the importance of agriculture to a healthy domestic economy and to our important role in preserving freedom around the world. Agriculture must be given much stronger weight in foreign policy decisions if we hope to maintain our enviable position of dominance in the production of food and fiber. We also strongly believe that the U.S. must adopt a "fair" or "reciprocal" trade policy in contrast to the "free" trade policy which the current Administration expouses. We should be willing to free trade with anyone who is willing to free trade with us, but we can no longer afford to open our market to foreign imports while being excluded from reasonable access to foreign markets. Our greatest strength lies in our ability to produce an abundance of food and fiber. Yet we are drowning in our own productivity because we are unable to enter well protected and heavily subsidized foreign markets. Our foreign trade imbalance, if allowed to continue, will further weaken our domestic economy.

With respect to farm credit policies, our Association does not support proposed advance loan programs, buy-down programs, or other bail-out efforts. Such programs have seldom solved financial problems of producers and generally serve only as a bandaid and prolong the day of reckoning. We believe the federal government should get out of direct lending through FmHA or other agencies and use federal monies only to guarantee loans made by commercial lenders. Agriculture does not need a handout. What most producers need is a steady, dependable supply of credit at reasonable rates.

Thank you for the opportunity to present this statement. We stand ready to discuss these issues at any time.

AGRICULTURAL EFFICIENCY AND EQUITY ACT OF 1985

WEDNESDAY, APRIL 24, 1985

House of Representatives,
Committee on Agriculture,
Washington, DC.

The committee met, pursuant to notice, at 10:50 a.m., in room 1300, Longworth House Office Building, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Present: Representatives Jones of Tennessee, Weaver, Bedell, English, Huckaby, Whitley, Coelho, Daschle, Stenholm, Volkmer, Hatcher, Tallon, Staggers, Evans of Illinois, Thomas, Olin, Penny, Bruce, Madigan, Coleman, Marlenee, Stangeland, Roberts, Emerson, Morrison, Gunderson, Evans of Iowa, Chappie, Franklin, Lewis, Smith, Combest, and Schuette.

Staff present: Phillip L. Fraas, counsel; Robert T. Lowerre, associate counsel; Cristobal P. Aldrete, special counsel; Charles Hilty, minority staff director; William E. O'Conner, Jr., assistant minority staff director; John E. Hogan, minority counsel; Mark Dungan, minority associate counsel; Peggy L. Pecore, clerk; Howard Conley, Bernard Brenner, Eugene Moos, Brenda B. Hatton, Thomas F. Neville, William D. Toops, Gary R. Mitchell, Susan Adkins, and Carol Ann Dubard.

OPENING STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The Chairman. The committee will be in order.

The Chair would like to apologize to our guests and witnesses for the delay, but both the Democrat and Republican sides had caucuses this morning.

On the agenda, we have H.R. 1912 by Mr. Stenholm. In addition, we have legislation by Mr. Weaver, H.R. 1383, and Mr. Weaver informs me that we are to discharge the subcommittee from consideration in order to consider the bill in the full committee. Some last-minute amendments suggested by the administration are being drafted to obtain total agreement on that piece of legislation. We have advised Mr. Weaver that we will postpone consideration of that measure and await the final draft, so that we might act upon it with the amendment.

We will begin with the consideration of H.R. 1912. I might explain briefly that this bill crosses subcommittee jurisdiction through several commodities. Therefore, it was decided that the hearing and the markup should be held in the full committee, rather than to have each subcommittee take time with this legislation.

I recognize the principal author of the resolution, our colleague from Texas, Mr. Stenholm.

[H.R. 1912 appears at the conclusion of the hearing.]

STATEMENT OF HON. CHARLES W. STENHOLM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. **Stenholm**. Thank you, Mr. Chairman and my colleagues. I appreciate this opportunity to come before you and for scheduling this hearing and markup on H.R. 1912.

You will have a substitute with technical amendments before you very shortly, if you do not already have it. We have attempted once again to make those corrections and those changes from a technical standpoint that many individuals have asked us to do. I will make that point at this time.

Also, I would say I believe most members of the committee are familiar with the bill, so I will not go into a great deal of detail at this time.

Briefly, farmers who grow one or more of the program crops—wheat, feed grains, upland cotton, or rice—would be assigned an overall farm acreage base determined by a rolling 5-year average of their cumulative acreage of those crops. Each program crop would have a crop acreage base, again based on a rolling 5-year average. The goal would be for the sum of the crop basis not to exceed the farm base, to avoid the phantom acreage problem we have had under the 1981 farm bill.

My bases and yields bill has three aims:

First is equity, a system that is consistent between crops and fair to different production regions.

Second, flexibility—letting farmers respond to market signals and follow conservation practices without penalty. I would emphasize that because I sense in all of the farm bills that have been introduced to date there is a strong consensus for a market-oriented farm program. Therefore, I feel that the flexibility part of my bill is extremely important.

The third point I wish to make is predictability—remove uncertainty and guesswork by giving farmers a permanent and reliable benchmark from which to plant. Some system of bases and yields would be necessary under almost any conceivable farm program we might pass this year. That means to me, that no matter what shape the 1985 farm bill takes, we will need base and yield formulas in order to administer agricultural policies effectively.

The heart of H.R. 1912 is the concept that Congress can help farmers do some long-range planning by writing base and yields formulas into permanent law. I believe that is a sound concept.

However, the specific formulas for bases and yields in H.R. 1912 are not chiseled on tablets of stone, and I hope and fully expect this committee to help make them better.

As you are aware, hearings were conducted in May 1984 specifically regarding the bill I introduced last year. Throughout those hearings the various interest groups expressed concern over several specific provisions in that bill. H.R. 1912 represents by effort to satisfy those concerns.

I wish to conclude my remarks today by encouraging you to listen carefully to the testimony yet to follow from the administration and from GAO. I feel you will find it quite interesting and quite helpful.

Mr. Chairman, I strongly embrace the wise observation that is repeatedly voiced through this committee that when setting our national priorities, we must always bear in mind that agriculture is the foundation of our economy. If the foundation goes, everything goes. I hope that with the 1985 farm bill, in whatever form that we pass, will strengthen our agricultural foundation.

Furthermore, I believe that a sound set of base and yield formulas can serve as one basic building block within that foundation.

Thank you. Mr. Chairman.

The **Chairman**. Thank you very much.

Are there any questions of Mr. Stenholm?

Mr. Huckaby.

Mr. **Huckaby**. Thank you, Mr. Chairman.

I would like to commend the gentleman for all the work that he has done on this bill. As the gentleman knows, I have some problems with it.

I think that this legislation is probably the most complex, the most far-reaching, the biggest change, if adopted, of anything that has been considered before this committee in the 9 years that I have served on it. I have spent many hours on it. There are many things that I don't understand yet, that I don't feel familiar with. I don't know about the other members.

The gentleman says that the bill is designed to be equitable and fair. I think as it is presented today it is probably one of the most unequitable and most unfair bills, but it could be changed to be equitable and fair.

It is designed to have flexibility. It appears to me that it does not have as much flexibility as the existing system. With some changes, I think it could.

Predictability—I have been talking to members of the Department of Agriculture, and I cannot find anyone that can predict what is going to happen as a result of this. I commend the gentleman for bringing it forward. I think there are some excellent points in it, but I think we have to have an awful lot of discussion so that the majority of members can understand the various far-reaching ramifications that are in this legislation.

I have many, many questions to ask and hope to get some dialog and understanding of the author's intents in some of the areas, but I suspect that perhaps it would be better to wait and do that once we go into the markup stage instead of taking so much time at this point in time.

Would the gentleman from Texas agree with that?

Mr. **Stenholm**. Yes; I think that would be a good way to proceed.

Mr. **Huckaby**. I yield back the balance of my time.

The **Chairman**. I thank the gentleman.

Mr. Evans.

Mr. **Evans** of Iowa. Thank you, Mr. Chairman.

I don't want to prolong the proceedings, but there are a couple of rather basic points that apply to my part of the country on which I would like the gentleman's opinion.

Mr. Stenholm, in States like Iowa and Illinois there are a large number of farmers who raise two crops, corn and soybeans. A typical rotation is 50 percent of one and 50 percent of the other, and you switch them back every year. It is very common.

Now, as I understand it, under your law the soybeans are considered only to establish the farm acreage base; is that correct? There is not a crop acreage assigned to soybeans?

Mr. STENHOLM. That is correct under the current——

Mr. EVANS of Iowa. Under the current problem.

Is it possible under that situation to expand the corn base? I notice in some of the material that I have here it says that, if you are going to expand one crop acreage base, you have to make a sacrifice in some other crop acreage base, but soybeans are not a crop acreage base, do not have a crop acreage base.

Is there a stone wall there in the way it is written right now or is there a way around that?

Mr. STENHOLM. It is not intended; it might be that that needs to be clarified. The intent of my legislation at this point was to attempt to give soybeans the neutrality that they have and would like to continue.

The intent, also, is not to give a soybean producer an advantage to have his cake and eat it, too.

What I am hoping, and why the flexibility that I am talking about, is to give your producers the flexibility to shift. In other words, a farm acreage base of 1,000 acres and you are producing 500 acres of corn and 500 acres of soybeans. I would like to see the flexibility to move in either direction—to increase soybeans or to increase corn, provided you do it 60 days ahead of the announcement of the farm program, so any supply management program can be plugged in.

Mr. EVANS of Iowa. I have one further point, and then I will yield back the balance of my time.

That example that you gave, the 500 acres of corn and 500 acres of beans, under your proposal, if that producer had no wheat base and wheat continues to become more and more attractive in some of its program features, could that producer ever establish a wheat base?

Since it is zero, an increase of 10 or 20 percent is still zero?

Mr. STENHOLM. Yes.

Mr. EVANS of Iowa. Does that feature exist?

Mr. STENHOLM. You could establish a wheat base which would be 20 percent of your farm acreage base. In this case you could establish in the first year 200 acres of wheat; in every succeeding year only 100 acres of wheat, because it is a program crop.

Mr. EVANS of Iowa. Thank you very much.

I yield back the balance of my time, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. Madigan has a question.

Mr. MADIGAN. Mr. Stenholm, maybe you could just briefly explain to me why the current system is so bad from your perspective.

Mr. **Stenholm**. First, we have the problem of the phantom acres in which we find that we build up various crop acreages, various allotments, and we have a very big surplus in many instances that is causing problems, particularly in the cotton area.

However, I think the primary point that I would like to emphasize in response to your question is in flexibility. I am concerned about our current system in which we have a locking-in of bases and allotments, and we have instances, because I happened to plant a certain crop during a certain 1, 2, 3, 4, or 5-year period, that becomes my base and I have to fix my farming pattern or my operation to that allotment or to that base, because that is what has been assigned to this farm. It does not give me the flexibility to react to the market.

The original draft of my legislation provided for complete flexibility, to allow the individual farmer in 1986 to set his crop acreage bases on his farm like he wanted to farm because of his interpretation of what the market is going to be. Now we have come way off of that, because of the concern that that is too much flexibility.

Now I want to have an effective base system because I think, whatever kind of farm program we have, you are going to have that necessity. If you are going to have no farm program, there is no point in our talking about this. However, if you are going to have any kind of a supply management program, it is important that we have a system.

I want to see it put into permanent law. That is one of the disadvantages of what we are doing today. We change it every year. We have had a different interpretation, a different set of circumstances every year as to how we set our bases.

That is my primary objection to what we are doing today. The phantom acres are creating some considerable problem and is going to continue to do so over a period of time.

Mr. **Madigan**. I have not had a chance to look at the bill. You are talking about acres. I also understood that you were talking about allotments.

How many crops are you talking about? What are they all? Are you talking about things that have quotas, too?

Mr. **Stenholm**. No, no. I have used allotments. I mean to be using farm acreage base, crop acreage base. It is the same basic system, I guess is the confusion on it.

We are talking about wheat, feed grains, cotton, and rice with the possibility—with soybeans included in the farm acreage base. We may in the course of the amending process look at establishing a crop acreage base for soybeans in order to make the system work in the interchange back and forth. That may be where Mr. Evans is coming from, and I think Mr. Huckaby also is going to be coming from there.

Mr. **Madigan**. If the system is so bad—and I am not arguing with you; it may very well be. I haven't really thought about this at all.

Mr. **Stangeland**. Would the gentleman yield briefly?

Mr. **Madigan**. Yes.

Mr. **Stangeland**. I think I can point out why it is necessary, as Charlie says, get rid of the phantom acreage.

There is a national wheat acreage base in this country of 93.9 million acres, almost 1 billion acres—100 million, excuse me.

There are actual plantings projected for 1985 of 74.7 million acres. If you had a set-aside, it is conceivable that if you had a set-aside and paid a set-aside or qualified a farmer for a set-aside of 20 percent, that would be 20 million acres. You could have that set-aside and still plant 74.7 million acres.

The plantings run anywhere from 15 to 20 million acres less than the actual base. With a 20 percent set-aside, you could, in effect, plant the same as we plant every year—to the point that you have no reduction in production. That is the problem with the phantom bases.

Mr. STENHOLM. Mr. Madigan, I am not suggesting that what we have is so bad. I think we can do a better job by adopting a system or something close to what I am talking about, and putting it into permanent law and making for a better administration of farm programs in the future than what we have had.

Mr. MADIGAN. I am intrigued by your remark about allowing people to react to the market. What I am wondering is, if we can improve upon the present system by making the changes that you are talking about making, why didn't you go into the quota crops as well? Why don't we do something about peanuts and tobacco and some of those to allow greater flexibility there and to let producers react to the market?

Mr. STENHOLM. Why I didn't?

Mr. MADIGAN. Yes.

Mr. STENHOLM. In the case of peanuts, we have a program that is working quite well. It is zero cost to the Treasury. The consumer is getting a good buy for that which they are purchasing. I see no reason "to fix it if it ain't broke."

Mr. MADIGAN. The domestic consumers of peanuts are obliged to buy quota peanuts, and foreign consumers of peanuts are able to buy the nonquota peanuts. U.S. customers for U.S. peanuts pay more for U.S. peanuts than foreign customers of U.S. peanuts. Why do we continue things like that?

Mr. STENHOLM. I would just say to you, quite honestly and quite truthfully, as a cotton, wheat, and feed grain farmer, I don't want the peanut producers and the sugar producers and the tobacco growers of the United States to get as bad as we are in the profit picture with these other commodities.

That is a little sidelight. However, my legislation does not deal with those because those are three programs that we will handle separately within the legislation that have traditionally had their own systems, and we will debate that issue that you are bringing up—whether or not we change those programs—at the proper time and starting on the subcommittee.

It is my judgment that we should not apply the rules of wheat, feed grains, cotton, and rice to those programs that have quotas today.

Mr. MADIGAN. I am sure you are going to make me understand this better, so I will listen.

Thank you.

The CHAIRMAN. Does any other member wish to ask questions? Mr. Stangeland.

Mr. STANGELAND. Mr. Chairman, I just will be very brief because, as my good friend, Mr. Huckaby, stated, the questions that I have will come out when we markup.

I share the concern on this kind of legislation that Mr. Huckaby shares, but I guess we all have to understand that we have a serious problem. If we are going to address that problem, we just are not going to be able to have the same flexibility in the future as we have had in the past. Allowing that flexibility I don't think will allow us to address the problem.

I don't like a rigid kind of a program to take the flexibility away from farmers, but I think the farmers will accept some kind of rigidity in exchange for some kind of profit potential. I hope as we go to markup up that we can work out some of the bugs and problems and come up with a good, reasonable program.

The CHAIRMAN. Mr. Roberts.

Mr. ROBERTS. Yes. Thank you, Mr. Chairman.

I apologize for the lateness of my arrival. I am not up to speed as to the concerns of my friend and colleague in regard to the flexibility issue. I simply want to say, as a cosponsor of this legislation and as one who stayed the full stay, if you will, during the hearings on this legislation when we had those hearings as of the last session with Mr. Stenholm, that I think this is a very important bill.

So many times we get into the process of discussing the loan rate and the target price and the thrust of the farm legislation in the well-publicized areas, and we don't pay enough attention to the yardstick by which we measure those programs, especially in terms of participation by the producer.

I would remind members of this committee that, as of last year at approximately this time, we had less than 5 percent of the wheat producers in my district and traditional wheat-producing areas signed up for the program. As of today we have 72 percent. It was mainly because we addressed the issue of the acreage base in wheat country that, after that adjustment and after mandating an early announcement so that farmers know what they had to deal with, then we got the 72 percent.

I want to commend the gentleman. He has studied long and hard on this issue, not only for wheat but for cotton and for corn as well. I think it is a good bill. I have some specific questions on page 14 of the bill as to what the two words "conserving use" apply to. I will do that during markup.

I want to thank my friend and colleague for this effort. It does address one of the least-paid-attention-to issues, but one of the most important.

I thank the chairman for allowing me this time.

The CHAIRMAN. I thank the gentleman.

Are there other questions?

If not, we thank you, Mr. Stenholm.

Next we will have the Administrator of ASCS, Mr. Everett Rank, and his Deputy, Mr. Roy Cozart.

STATEMENT OF EVERETT RANK, ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY ROY COZART, ACTING DEPUTY ADMINISTRATOR, STATE AND COUNTY OPERATIONS

Mr. RANK. Thank you, Mr. Chairman and members of the committee.

My name is Everett Rank. I am the Administrator of the Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture. Accompanying me today is Roy Cozart, Acting Deputy Administrator for State and County Operations.

We appreciate this opportunity to appear before you today to discuss H.R. 1912, introduced by Congressman Stenholm. H.R. 1912 would provide for a permanent system of establishing wheat, feed grains, upland cotton, and rice acreage bases and program yields based on moving 5-year average planted and considered planted acreages, and actual production.

Last year the Department testified on legislation similar to H.R. 1912, and at that time we suggested some change in the language of the bill. When the bill was introduced this year as H.R. 1912, some of the changes suggested were incorporated. We feel this is a beginning point of what is a complicated subject and commend Congressman Stenholm for his efforts in this regard.

The administration sent up its farm bill in February and proposed that acreage base for a farm for any crop be the average acreage of the crop planted on the farm in the 3 years immediately preceding the year for which the program is announced. Also the administration proposed a like formula for determining loan rates and target prices. Since we believe these formulas should be related, we feel it is most appropriate to address the acreage formula in the farm bill. In the administration's farm bill a voluntary acreage reduction program would be offered for 1986–89 programs. Yields would be based on proven production. Farmers would have to rely more on the marketplace to determine the amount of acreage to place in production and the commodity to produce.

Over the years, one of the major complaints concerning the acreage reduction programs has been the establishment of bases. Farmers in general like bases that are flexible and allow them to qualify for program benefits with a minimum of production reduction.

The 1981 farm bill legislated provisions that resulted in the establishment of large bases which in turn reduced the effectiveness of these programs. These provisions required the Secretary to establish acreage bases using either the acreage planted on the farm in the preceding year or the average plantings of the preceding 2 years.

As a result, some acreage bases are larger than actual acreage. The 1985 wheat acreage base is about 94 million acres. In recent years, the largest amount of planted wheat acres occurred in 1981, and it was only 88 million acres. The effect of these larger bases has been to cause the acreage adjustment programs to be less effective and more costly.

Mr. Chairman, we believe this subject should be considered in the final discussions on the makeup of the farm bill. It can then be discussed in more depth once we know the details and the direction the farm bill will take and the determinations that will be made regarding the various program provisions, such as target prices and loan rates.

This concludes my statement, Mr. Chairman. I will be glad to respond to any questions.

The CHAIRMAN. Thank you very much.

Questions of Mr. Rank?

Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

We have heard a good deal of discussion that the soybean program has been effective. Can you compare today's proposal with what is occurring with the soybean program?

Mr. RANK. As far as the benefits the soybean program has had and the effects of it? Certainly our farm bill that we presented generally set the acreage bases very similar to the soybean program—at least the loan rate is how the soybean program has been in effect. The soybean program has been a very independent program. CCC has taken over practically no soybeans. It has been a very direct, market-oriented program.

Mr. SMITH. Do you see any similarity in this proposal taking us to that point?

Mr. RANK. As Congressman Stenholm pointed out, it is certainly trying to give the farmer more leeway on his own farm and how he manages that farm, and to be able to adjust within his crop on his farm. However, it is not that identical to the soybean program.

Mr. SMITH. Then it seems to me that one of the benefits of this program is that the decisionmaking is taken away from the Government, which in the past has identified these bases, and given to the producer. Is that a fair assessment?

Mr. RANK. Yes, Congressman. As much as we can go in that direction, we should be moving in that direction.

Mr. SMITH. Thank you.

The CHAIRMAN. Mr. Huckaby?

Mr. HUCKABY. Mr. Rank, has your Department done an in-depth analysis of this legislation; if it should become law, what shifts do you forsee occurring, and how will you administer it?

Mr. RANK. Congressman, we have not gone into in-depth analysis to see what would happen because there are many factors that may be needed to be taken into consideration in making that analysis. One is how the farm bill would be structured. The loan rates, the relationship between loan rates of the various commodities and the target prices, as well as whether or not the farmer will be shifting because of the Government program benefits or because of the market benefits. Until the farm bill is finally constructed, it would be hard to make that analysis.

Mr. HUCKABY. For instance, if you were able to shift 20 percent your first year, you have no estimates at all of how much soybean acreage or——

Mr. RANK. No, we couldn't.

Mr. HUCKABY. Wheat acreage would be shifted under cotton, for instance?

What would happen to the various bases?

Mr. **Rank**. As Congressman Stenholm's legislation talks about, it allows the farmer the first year to shift 20 percent of his crop acreage within the base from one commodity to the other.

Mr. **Huckaby**. Do you have any idea what would happen once this was done nationwide?

Mr. **Rank**. We couldn't make that until we know what the benefits would be in those various commodities, such as the loan rate or the target price, say, of wheat versus cotton and whether it would be more lucrative for that farmer to go to wheat or cotton, because the loan rate is higher or the target price is higher.

Mr. **Huckaby**. What you are saying is, if the various commodities have different programs, and since we don't know that yet for the new farm bill, you don't know which way the shifts are going?

Mr. **Rank**. That is right.

Mr. **Huckaby**. Let me ask you another question: this bill looks back 5 years. As you are very well aware, in the Southeast there have been over 1 million acres of cotton base created under the farm bill. There have been several hundred thousand acres of rice created where people have gone into the business. Do you have any estimate of how many thousands of farmers we will literally wipe out because they no longer have their base that they have built under the existing law, which we are going to take away from them?

Mr. **Rank**. I think within this bill there are some adjustments the committee can make and give them authority there to make adjustments based on conditions within the county and on that farm. It does give a lot of authority to the local folks to make adjustments.

Mr. **Huckaby**. It is your interpretation of the bill that if a farmer only farmed, let's say, rice in Arkansas in 1984 and 1985 and he established 500 acres of base for those 2 years that then in 1986 he would have 500 acres of rice since he had only farmed for 2 years instead of 5?

Mr. **Rank**. I believe in the first year of the bill we look at the 1985 base, and that would be really the basis of establishing his base for 1986. It would start his 5-year period. We would not go back 5 years and look at the fifth year.

Mr. **Huckaby**. I think the author of the bill has an opposite intent from yours. I wish it were what you said.

Mr. **Rank**. What he does in 1985—I believe his base was established that year—would have a bearing on what his base would be in 1986. Probably Congressman Stenholm could answer that question better than I, but I believe that is the what it states.

Mr. **Huckaby**. But your intent is to treat everyone in a fair and equitable manner.

Mr. **Rank**. Certainly.

Mr. **Huckaby**. It is not to look back 5 years and penalize the guy that was not farming rice in the first 3 years?

Mr. **Rank**. Certainly.

Mr. **Huckaby**. But I think if you read the bill, and the way your people interpret the bill, you will find that they don't interpret it that way, as it is written today.

Thank you.

The **Chairman**. Mr. Stangeland.

Mr. **Stangeland**. Yes. Thank you, Mr. Chairman.

Mr. Rank, I gather that you support establishing some uniform method of bases and farm acreage bases; is that true?

Mr. **Rank**. We certainly do, yes.

Mr. **Stangeland**. I guess I have a difficult time understanding exactly why the administration believes that, first, to establish a base you use a certain formula, and you talk about the 3 years immediately preceding the year for which the program is announced, and believe that the target prices and the loan rates have to be established on that same formula.

I guess I don't understand why the two have to be done exactly the same, why you cannot use one method for establishing the bases so you get a base established, and then beyond that determining what the level of price support should be and what the loan rate and what level target prices ought to be.

Mr. **Rank**. We previously had legislation on ELS cotton, extra-long staple cotton, that has the formula of how we establish bases on the system we propose in our farm bill. Loan rates will be established certainly in a different manner than going back and only using the 4 years, dropping the preceding year. It would be based similar as we do today—look at the 5-year average, and each loan rate is calculated differently. We would hope that loan rates are established and use the same formula on all the commodities we set loan rates on, so that they are uniformly set and easily understood, and not use a different system for each one.

We are not saying you have to tie the loan rates and the farm base identical years, but at least have a similar formula, whatever we do on loan rates, so that all commodities are treated the same.

Mr. **Stangeland**. I tend to think that as we move to markup on the commodity sections we are going to establish a loan rate or a market loan or an efficiency payment or a target price based on somewhat a similar set of circumstances, but not identical.

I would just ask you to respond because of the concern of my good friend from Louisiana, and maybe the author would like to respond as well, Mr. Stenholm.

Isn't the question of establishing bases, whether you use 3 years or 5, the important part of establishing bases is to be certain that the base acreage for any given crop or crops does not exceed the total tillable acres of a farm? That is the first and most important criteria, no matter how you go about establishing that base.

If it is punitive to go back 5 years for someone, the important thing is that, when you get the bases established, those bases reflect productive acres and not phantom acres.

Mr. **Rank**. Yes, Congressman. One of the things we do in establishing bases is what that farmer normally plants on that piece of land for program-benefit purposes. In the legislation we are just completing, we establish bases on only a 2-year period. We saw base building where farmers stay out of the program 1 year, knowing that they are going maybe to get benefits and plant a lot of acres, and then that becomes some benefits. I believe we should set it over a longer period of time, so that the farmer's benefits are received on what he normally plants on that farm and not trying to use the high year to get extra benefits on that farm.

Mr. **Stangeland**. I agree.

I just will conclude with one brief statement.

Under the program, if he builds a base in a crop for benefit in 1 year, he has lost base somewhere else and he is locked in, then, to that new base that he establishes. He may make a good economic judgment 1 year, but 2 and 3 years down the road he may have made a bad economic judgment and he is going to live with it.

The CHAIRMAN. If there is no objection, the Chair will recognize Mr. Stenholm and then recognize members individually, under the 5-minute rule. Mr. Stenholm's answers will not be counted out of your 5 minutes, so that each member may have time to express his viewpoint. You may ask questions or dialog with Mr. Stenholm and his time will not be counted against yours.

Mr. Olin.

Mr. OLIN. Thank you, Mr. Chairman.

Mr. Rank, I want to ask a question related to my understanding as to what degree you basically support this idea of Mr. Stenholm's to establish acreage base. I understand your reluctance to give any kind of a final endorsement until you know how the farm bill is going to come out and where this would apply

However, except for that aspect, are you basically supportive of the idea he has here?

Mr. RANK. Generally, yes. We think it is headed in the right direction, yes.

Mr. OLIN. From a technical standpoint, it is a technique to establish acreage base. We would not expect the administration or you would be objecting to this later on if it shows up in the farm bill.

Mr. RANK. The concept we certainly agree with, but setting it on a longer period of time, giving the farmer more flexibility, and things such as this. There are a few things in it still that we would like to discuss when we do have the markup or the final draft of how we set bases and yields.

Mr. OLIN. I think you basically have answered my question. Thank you very much.

The CHAIRMAN. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman.

It seems to me we have conflicting goals here. On the one hand, I certainly share the gentleman from Texas' desire to have some established bases so that we do not have to play with production bases every time a new crop program comes up and that type of thing.

On the other side of that, however, is a concern from a conservation perspective. The complaints I always get in all of our programs is, "Look, if I am practicing good conservation practices back home and I am rotating my crops, by golly, because I rotated them last year and you implement PIK this year, you are penalizing me because of what I did last year."

One concern that I have with the bill is that once the acreage base is established, it cannot be adjusted by more than 10 percent in subsequent years.

Has the Department done any kind of research or do you have any analysis which would suggest what kind of disincentive or problem that this may create for a typical farmer in his normal crop rotation and eligibility?

I just have to guess that my farmers back home do not do their crop rotation to within 10 percent of the exact number of acres and bushels of corn or some other commodity. They produce each year.

I think the gentleman from Texas has an answer, and then I would be interested in the Department's response.

Mr. **Rank**. I would just like to comment about how a farmer farms his land and the conservation concerns he has. I believe the longer we have for setting bases, the better a farmer is going to do good conservation work on his farm.

When you have only a 2-year period, such as we have had in the past, farmers have looked at the farm bill rather than good conservation in how they manage their farm. He is going to manage his farm better. That is one of the benefits of a longer period of time to set bases, what he is going to be doing on that farm is averaged and not just to manipulate his crop acreage to take benefits from the Government programs.

Mr. **Stenholm**. I would like to respond to the gentleman.

You are hitting on one of the clear intents of what I hope will come out of this bill eventually. I do not want to see soil conservation farming penalized as we have traditionally done it.

I would point out that under current law you do not have the flexibility of even 10 percent of shifting within crop acreages. The only way you can make adjustments is to stay out of the program in one commodity, build a base, lock in that base, and that gives you the flexibility to make changes year to year.

What I would like to see is the original bill that came from the Grain Sorghum Producers Association. This idea was to give complete and total flexibility to an individual farmer to change not just in the first year but in every other year, provided you do it 60 days ahead of the announcement of the farm program.

Now this is where everybody snickers, as you did right there because, how am I going to know what I am going to do? How do I know what to farm until you tell me what the program is going to be?

Well, in response to Mr. Smith's question, what I am trying to do with this legislation is to seek a middle ground, to allow that farmer to make some decisions in anticipation of the margins.

Mr. Huckaby's concern is too many farmers are going to shift. My response to that is, if too many shift, you are going to have one heck of a set-aside price to pay, because too many have shifted. I would anticipate, and I concur with the administration's point that we need to see that, we make darned certain that we do not provide for too great a Government financial institution for one crop over another so that Government becomes the puller in regard to the market. That is going to be extremely important for us to do.

However, the point here is my bill gives your producers 10 percent more flexibility than they have today to make market decisions on an annual basis. That is the basic point.

Mr. **Gunderson**. OK. I think it is just an issue that I am very concerned about and that we ought not lose sight of.

Thank you both.

Thank you, Mr. Chairman.

The **Chairman**. Thank you.

Mr. Rank, have you put this legislation side by side with the legislation submitted by the Department, as introduced by our colleague, Mr. Madigan?

Mr. **Rank**. I certainly have not at this time, Mr. Chairman. No, we have not.

The **Chairman**. Your position is that we do nothing until we finalize the farm bill?

Mr. **Rank**. We believe how we establish bases and yields certainly should be taken up in the consideration and finalization of the farm bill. However, we certainly will look at this along with other methods of how we establish bases and yields in determining what is the best way to do it.

The **Chairman**. You have no proposal of your own?

Mr. **Rank**. Yes, we do. The administration's proposal is that after a phaseout period it would be identical to soybeans as far as what a farmer can do on his own farm. His eligibility and benefits, whatever determination he makes on his farm, what he wants to plant—there could be complete flexibility.

The **Chairman**. Your position then is the administration's position that farm programs be phased out, period?

Mr. **Rank**. Yes, Mr. Chairman.

Mr. **Stenholm**. Would the chairman yield on that?

The **Chairman**. I would be happy to yield.

Mr. **Stenholm**. This is where I think the author of this amendment will have a little bit of a disagreement with the administration's intent on the farm legislation.

The **Chairman**. I think all of us, including the sponsor of the administration's proposal, have enumerable questions about that piece of legislation, but this is not the proper forum for consideration of that piece of legislation.

Mr. Huckaby.

Mr. **Huckaby**. Would the chairman yield?

The **Chairman**. I yield.

Mr. **Huckaby**. Assuming that we disregard the administration's bill, which I think we can, are you suggesting that we should not mark this up before we see what the various commodity loan and target price programs look like, is that what I hear you saying?

Mr. **Rank**. Definitely. For the reasons I stated and the reasons that Congressman Stenholm stated, until you see how the various levels of support prices and target prices are made, so that there will be an equal balance between them, so the farmer can make a decision based on what the market is, not what Government benefits may be greater than one over another for a commodity.

Mr. **Huckaby**. Let me ask one final question, if the chairman would yield to me.

The **Chairman**. I yield.

Mr. **Huckaby**. You emphasize a longer period of time for establishing a base, but you are not suggesting going back. You are talking about going forward; is that correct, what we were saying earlier?

In my earlier questioning with you, you said a farmer would start in 1986 in your interpretation of this law with the base he had in 1985, but if you look back 5 years he could in theory only have one-fifth of the base that he had in 1985.

The **Chairman**. Would the gentleman yield?

Let me interject this: Their intent is to bring you back to nothing. [Laughter.]

Go ahead, Mr. Rank.

Mr. **Rank**. I don't believe he got through his question, but I was going to refer that question to Congressman Stenholm on exactly how that bill reads as far as going back and making adjustments where maybe that farmer in the last 2 recent years has farmed differently than he did 5 years ago.

Mr. **Huckaby**. Maybe the gentleman from Texas would comment.

Mr. **Stenholm**. Let me say I have listened with a great deal of interest to the gentleman from Louisiana's objection to this legislation. I don't disagree with him.

It is not the intent of this legislation to punish any farmer for having complied with farm legislation.

I want to say this, and I want to direct this as an answer to Mr. Huckaby's question and also ask a question to the administration: My bill provides for 5 years. You go back 5 years and establish it. You are suggesting 3 years in your testimony. GAO has looked at 2 and 5 years. We provide in the yield section that your 1986 yield shall be no lower than 1985. I would anticipate we are going to change that formula before we finish the markup on this.

Do you see anything counterproductive to the use of a 2-year simple average for setting 1986 bases versus 3 versus 5 versus giving an individual farmer the complete flexibility to this extent in 1986, of saying that your base in 1986 will be no less than that which you had in 1985, provided we follow the farm acreage base setup in which we don't allow you to have more crop acreage bases set up than you have cropland unless you have been double cropping, and then we provide for that if you can prove that with the county committee.

Mr. **Rank**. Congressman, in answer to your question, I think any change in how we establish bases should have some phase-ins and some leeway of how we adjust, such as yours does. As a matter of fact, this one does help a new farmer—on land that does not have a base, the county committee can establish a base for that farm on what is generally done on the surrounding farms. There is a lot of flexibility.

I have agreed with the things you have brought up—that how we can establish base and phase-in need to be taken into consideration and not penalize farmers that have been in the program for the past 3 years, and not go back and look at 4 or 5 years ago to really reduce their acreage down from what they normally would be farming.

Mr. **Stenholm**. Would you comment on the practicality of taking a 2-year average and then going to a 5-year average gradually? In other words, take the 2-year, 1984–85 plantings, average them, and then utilize how you choose to plant in 1986 to be considered into your new base for a 3-year average; in 1987, 4; in 1988, 5 in 1989.

Mr. **Rank**. Congressman, I guess the only concern there would be the farms that stayed out of the programs and maybe planted full acres. They would have an advantage over those farmers maybe that had been reduced down and had good conservation practices and things like that. Those folks might, then, be harmed in comparison. It is as easy as just to say, yes, I would agree to that. It is something that needs to be studied to see what the effects of it would be and the fairness and equity of something such as that.

Mr. **Huckaby**. If the gentleman would yield, you also don't want to penalize the man who has been in the rice business for 2 years by taking out three-fifths of his base.

Mr. **Rank**. Right.

Mr. **Huckaby**. If he has gone out in good faith and made investments and complied with the farm bill, let him go forward from there.

Mr. **Stenholm**. Would the gentleman yield.

Mr. **Huckaby**. I think the gentleman from Texas is saying the same thing.

Mr. **Stenholm**. I fully concur. I am not disagreeing at all.

Mr. **Huckaby**. It is just that we have to get the language so that it does that, and how do we do it?

Mr. **Stenholm**. I would depend on the gentleman from Louisiana to offer an appropriate amendment.

Mr. **Huckaby**. I thank the gentleman.

The **Chairman**. Mr. Volkmer.

Mr. **Volkmer**. I just discussed this with the gentleman from Texas, the sponsor of the legislation, earlier today. I would like to see how you feel about it, too, Mr. Rank.

In certain areas of this country such as in my district, especially this past year, we had a very wet fall so we got very little wheat in. That happens every once in a while. That land will now in all probability go into beans. Most of it will go into beans.

If we follow the language of this bill, one, you do not have any provision in here for the county committee to be able to make adjustments for such things as preventive planting—in other words, where they have not been able to plant a normal crop and they plant an alternative crop. In other words, if we follow this, my people's crop this year would be beans even though it is not their normal crop on that land.

Mr. **Rank**. The way this bill is written it gives protection to that farmer as far as protecting his base. If he has to go from corn to soybeans, his feed grains base would be protected to allow him substitution.

I am not sure because the question has not been raised whether he would also receive the benefits from the feed grains if he substituted some other crop in the language of the bill. That is one of the questions we would be raising.

Mr. **Volkmer**. The ones that are most prevailing usually are the wheat and the beans. Those are also double crops on the same land.

When you do a double crop do you get the benefit of both crops on that same base?

Mr. **Rank**. He has in this bill, the double-cropping provisions where you get credit for double-cropping and establishing base on your farm, as long as it does not exceed the total crop acres.

Mr. **Volkmer**. You are sure he can—I didn't find it in there, but you are sure he can switch? In other words, he can get credit for the wheat that he did not plant and base for that year in which he didn't plant?

Mr. **Rank**. We have a question on that and we need that answered.

Mr. **Volkmer**. I don't find that in there.

Mr. **Rank**. We don't, either, but it says you get credit for having that base if you substitute some other crop. Now, whether or not it just protects the base or whether you get the program benefits from that crop you are substituting is a question that needs to be raised.

Mr. **Volkmer**. That is what I am trying to do.

The **Chairman**. Mr. Marlenee.

Mr. **Marlenee**. I will reserve my time.

The **Chairman**. Any further questions?

Mr. Evans.

Mr. **Evans** of Iowa. Yes; thank you, Mr. Chairman.

What most of the conversation so far this morning has dealt with is the matter of the acreage base and very little has been said about established yields. I would like to visit about that just a little bit.

As I understand it, there is a great deal of flexibility in your bill, Mr. Stenholm, in the ability of a farmer to increase the established yield if he can demonstrate that he can actually produce that much; is that correct?

Mr. **Stenholm**. That is correct. We use the term "proven yields." We have a formula that is a little less complicated than what is currently practiced in ASCS, but we do provide for a proven yield concept.

Mr. **Evans** of Iowa. Would there be any limit, then, on these yields? Right now we have a total number of bushels that is possible, I think, to pay deficiency payments on, for example—the base times an established yield of some sort. We have a concept of proven yields, but, as I understand it, there is a total cap on the product of base times established yield in the country. Is that essentially so, Mr. Rank?

Mr. **Rank**. Yes; it is.

Mr. **Evans** of Iowa. If we go to Mr. Stenholm's bill, that cap would be removed essentially; is that correct?

Mr. **Rank**. The way the bill reads, they can increase their yield by 50 percent. I would assume the cap would be removed.

Mr. **Evans** of Iowa. There has been quite a bit of conversation in the past year or so about a total bushels concept to try to avoid the effect that happens out there where a person participates in the program, there is a 10-percent reduction in the acreage, and the farmer applies enough extra inputs to get back to essentially the same output on his acreage as if he had not set anything aside.

Is that problem of concern to the Department at this point? If so, do you see a conflict between that and what is proposed in Mr. Stenholm's legislation?

Mr. **Rank**. As far as whether we go to a poundage-bushel type of a program rather than acreage, we would be adamantly opposed to that type of legislation, taking that leeway away from the farmer to best manage his farm.

Mr. **Evans** of Iowa. Can you explain a little bit why? Is it a matter of philosophy or——

Mr. **Rank**. Philosophy and at the same time trying to once again control that farmer, what he can produce, how much he can produce, how efficient he can be. He needs to manage his farm, his acres.

Mr. **Evans**. of Iowa. Thank you, Mr. Chairman.

The **Chairman**. Mr. Jones.

Mr. **Jones** of Tennessee. Thank you, Mr. Chairman.

I will make mine very short.

Mr. Chairman, I am glad to see Mr. Rank here. We always appreciate his coming and sharing with us his ideas.

I want to say on the front end that I generally share the ideas of the gentleman from Texas. No doubt he seems to have a good feel for what he is saying and for what he is advocating.

Mr. Rank, my question to you is: Do you agree with Mr. Stenholm that the present crop-specific acreage reduction program is not working effectively?

Mr. **Rank**. Yes.

Mr. **Jones** of Tennessee. If you agree that it is not working effectively, how would you suggest that the present program be improved or can you do that with——

Mr. **Rank**. It would depend on what area we would be talking about improving. I guess if the area is to try to get better conservation, I think the farm bill we just finalized would be best. The 1981 farm bill has been anticonservation as far as how base has been established and how we pay benefits to farmers, force them to build bases to get their benefits.

Some way we have to have a farm bill as far as conservation is written that has the direction of the farmer managing his own farm and looking to the marketplace for his markets rather than Government benefits.

Mr. **Jones** of Tennessee. Is there some way that we can sit down with Mr. Stenholm and Mr. Huckaby, who has differences with the bill, and other members of the committee can sit down with the Department and work out these problems that we are talking about here today?

There has been a lot of time spent on this bill by Mr. Stenholm. He has been talking about it for a long time. He has worked hard on it. It seems to me that, if we are going to move forward, then all of the subjects that you have just covered certainly need to be taken into consideration.

Mr. **Rank**. Congressman, we appreciate that. We are willing to sit down with anybody any time, the administration is, or anybody within the administration, to talk about these various things you brought up.

Mr. **Jones** of Tennessee. Thank you, Mr. Rank.

Mr. Chairman, that's it.

The **Chairman**. Please no not leave the table, Mr. Rank.

Is Mr. Crowley here, the Senior Associate Director for GAO?

Mr. **Crowley**. Yes.

The **Chairman**. Do you have a statement or are you here as support in case we have questions for you?

Mr. **Crowley**. I have a statement, sir.

Mr. **Coleman**. Mr. Chairman, may I ask a question that you said I was going to be able to ask?

The **Chairman**. Yes; I'm sorry, but time is running away from us.

Let me invite Mr. Crowley to the witness table. In the meantime, we can continue the questions.

Mr. Coleman.

Mr. **Coleman**. Mr. Rank and Mr. Stenholm, from an area where we have sustained disaster for 3 to 4 of the last 6 years, let's say, would your bill or under present law would my farmers be most protected as far as the yields go? Could you tell me that?

Mr. **Rank**. In this legislation that has been proposed there are provisions to take into consideration the loss of the crop and trying to adjust that back up to where the farmer would normally be producing. We do that very similarly today. I would think that probably Congressman Stenholm's bill goes a little further than how we do it today to protect a farmer's yield.

Mr. **Coleman** Even though this bill does it on a 5-year basis instead of 10?

Mr. **Rank**. We generally look at a 5-year basis in establishing our yields on most of the commodities. It is how we structure, coming up with the final yield, that is a little different from Congressman Stenholm's.

Mr. **Coleman**. I thought you took the higher of a 10-year average or the last 5 years?

Mr. **Rank**. Those are not individual yields. When we identify what the State and county yields are we look at the 10-year period. The farmer yield is based on a 5-year period. We establish his yields with adjustments made within his yield because of low yields and other things that are taken into consideration.

Mr. **Coleman**. Can somebody explain to me why we are talking about State yields and then determining what farmer yields are, as though they are irrelevant to each other?

Mr. **Rank**. Congressman, I have an expert here with me.

Mr. **Coleman**. I would like to hear somebody explain that.

Mr. **Cozart**. Nationally we come up with a national yield, and then we set State yields. We look at, well, three different criteria and give the State the highest of the three. One of them is a straight 10-year average. The other one is a straight 5-year average. Then we look at a 5-year adjusted average. In that, what we do is take a 5-year straight average and any year that is below that, below 80 percent of that, we raise up to 80 percent; anything that is above that more than 125 percent, we bring down to 125 percent, and then we take that average. Whichever one of the three is the highest is what the State gets.

The State committees then establish county yields, looking primarily at the same criteria, but they have more adjustment authority because of trends or something in a particular area. Maybe irrigation is coming in or irrigation is going out. They can make some adjustments, but they primarily look at the same formula we do.

Now once the county gets the yield, we say the county must weight all their yields in that county taking the average bases times the yield and come back to that average, except for the farms that are proving yields in the current year. That increase is not counted against that weighting. We pick it up next year.

It is not as complicated as it sounds because it is something we have been doing for a pretty good period of time.

Farms can prove their yields under the current procedure or they can take the county committee established yields.

Mr. **Coleman**. I guess my question is, though, for areas that have sustained these droughts and floods and disasters, where their yields have been reduced, I want to know—I am a very parochial person right now—I want to know how it is going to affect those people under the current law or under this change, how my farmers are going to be impacted negatively or not. Can you give me an answer? You are the experts.

Mr. **Cozart**. Under the current law we would bring them up to 80 percent of their 5-year average on those years that their production is below that. In that sense, we are giving them 80 percent of their 5-year average in those years that they were adversely affected by weather.

Now under Mr. Stenholm's bill, as I understand it, he drops the high and the low in the 5 years and takes the 3 years that are left and gives them that average. In that sense, he drops the low year all the way out, but he also drops out the high year.

Mr. **Coleman**. Your opinion is that I would fare better under your current scheme of things?

Mr. **Cozart**. If you had more than 1 year of low yield, it is possible that you would come out better with the way we establish yields today, but if you only had 1 year out of 5, you would be better off, I think, under Mr. Stenholm's.

Mr. **Coleman**. These are multiyear disasters. I think that clarifies it.

Mr. **Volkmer**. Would the gentleman yield on that?

Mr. **Coleman**. Yes.

Mr. **Volkmer**. On this, he also provides in here—and I would just like to see—"Under such regulations as the Secretary may prescribe, the county committee for any county may adjust any program crop . . ."—this is under "yields"—"because of a natural disaster or similar occurrence, the program yield for such crop when such farm does not accurately reflect the production potential of such farm."

Does that mean—maybe I should address this to you and then to the gentleman from Texas—does that mean in the situation such as the gentleman from Missouri has where you have maybe 3 years out of the last 5 which have all been disasters basically in an area? By dropping the high and low out, you really have not solved the problem.

Mr. **Cozart**. No, but he has a 90 percent provision that says no yield will be less than 90 percent of what it was the previous year.

Mr. **Volkmer**. What does this mean, though, where the county committee can make an adjustment?

Mr. **Cozart**. That is as prescribed by regulations. There is no way that I would speculate on that.

At the minimum, his bill says that the succeeding year's yield will not be less than 90 percent of the previous year's yield.

Mr. **Volkmer**. So you are 90 percent protected; you only lose 10 percent?

Mr. **Cozart**. You will get at least that much based on Mr. Stenholm's bill.

Mr. **Volkmer**. But you still lose, and if you had 3 bad years, you are going to lose 10 percent 1 year and you are going to lose 10 percent another year, and you are going to drop out the third year.

Mr. **Cozart**. No, because it is still based on the 90 percent of the preceding year. It would take an infinite number of years to ever get down to zero. You would hope that he would start picking up some good yields in the meantime, I presume.

Mr. **Volkmer**. You ought to come out to our——

Mr. **Stenholm**. Would the gentleman yield?

Mr. **Volkmer**. Yes.

Mr. **Stenholm**. I would also point out in my bill as drafted, we provided that your 1986 crop year yield can be no less than your 1985 yield, regardless of the crop, and you are going to get that protection in the first year. We do provide for the 90 percent floor and 150 percent cap, and that was done specifically with the thought in mind of those areas that have experienced disasters in 3 of the last 5 years, or in some cases 5 of the last 5 years, in order to provide maximum protection.

I also would say, in all candor, that the intent behind this legislation, as I have described on the baseside, is to move in the direction of market-oriented. On the yield side, it is designed to move in the direction that we have had farmer after farmer after farmer sit at this table and tell us, "We want to be paid for that which we produce." Now that is the intent of where I want to move.

I would like to see us in the overall farm legislation, address the disaster provisions in a better crop insurance program. There are some ideas floating around down at the Department in which we can insure both yields and production, and do it through insurance. That is the intent of what we are trying to do.

If we are going to get into the question of individual years, and individual farmers, and individual counties, and set the formula accordingly, we are going to get into real problems.

Interestingly, my district and yours are so parallel in the problems we have had in drought and too much water that I think you will see that we are very, very similar.

The way Mr. Cozart explains how we are doing it, I don't envision it really being that much different, because we provide for a lot of county committee intervention in this to make it work as best we can.

Mr. **Huckaby**. Would the gentleman yield?

The **Chairman**. The gentleman's time has expired.

I have been promising to recognize Mr. Marlenee.

Mr. **Marlenee**. If the gentleman would like just a moment or two, I would be happy to yield.

Mr. **Huckaby**. I thank the gentleman for yielding.

How long have you been computing yields the way you do today?

Mr. **Cozart**. Since the passage of the 1981 farm bill.

Mr. **Huckaby**. Since the 1981 farm bill?

Mr. **Cozart**. Yes. It provided that a farmer shall have no less than what he can prove.

Mr. **Huckaby**. Have you done any studies? I saw a preliminary GAO study that said that cotton yields would drop 16 percent, I think.

Mr. **Cozart**. Now the formula I just gave really pertains to wheat and feed grains. Cotton and rice have a different formula, but we still use a 5-year period to determine what kind of adjustments we will make in a 3-year average.

Mr. **Huckaby**. My quick question is: Do you have data that shows that the yields would drop 16 percent for cotton with changing formulas?

Mr. **Cozart**. No, sir; I don't. We don't establish national or State yields or even county yields for cotton and rice, because they are strictly based on proven production. There is not a county committee established yield, as we have on wheat and feed grains.

Mr. **Marlenee**. If I may regain my time.

Mr. **Huckaby**. I thank the gentleman for yielding.

Mr. **Marlenee**. Mr. Chairman, I have two brief questions, one for Mr. Rank and one for my colleague from Texas, Mr. Stenholm, the author of the bill.

Mr. Rank, it has been the policy during the past several years that when you had conservation practices such as erosion strips, such as grass waterways, such as shelter belts, we lost as producers our base cropping history; is that not correct?

In other words, if you had 100 acres and they were into contour stripping with grass strips in between, that was no longer counted in your acreage base?

Mr. **Rank**. It would only be the acreage actually planted in crop. That would be how his base is established. That is right.

Mr. **Marlenee**. Only the acreage based on crop. In other words, this was a real, real disincentive to participate in conservation programs?

Mr. **Rank**. As far as base building, yes.

Mr. **Marlenee**. As far as the base building, did not we find that a lot of farmers took out those conservation strips, took out the grass waterways, to gain acreage?

Mr. **Rank**. Unfortunately, Congressman, in some areas they did.

Mr. **Marlenee**. Did you move—did your administration move under your guidance—to change that policy?

Or is it still the same?

Mr. **Rank**. What we did, Congressman, was give credit to those farmers for conservation use acres. If they had put that land into permanent cover we would guarantee them that that would be able to be used for conservation use acres during the period of the 1981 farm bill. That was helpful in a lot of areas. They did not have to take additional land out for conservation use.

Mr. **Marlenee**. But what was lost was still lost.

Mr. Stenholm, I would like to address a question to the author of the legislation.

I have a great concern about locking ourselves into a position to where we cannot accommodate necessary or required changes that come about and are dictated because of changing conditions.

What I am referring to maybe is a saline seep condition where we have to change the land use in areas to stop the erosion, the climbing number of acres that we see lost to saline seep, or we see a wind condition, or a drought condition. The best cover on some of that land is to have it in a crop or have it in another use that is different from the particular use it was in. Maybe it is a legume instead of a crop.

Does your bill provide for protection because of required changes?

Mr. **Stenholm**. Yes, it certainly does.

Mr. **Marlenee**. I note on page 8, Mr. Stenholm, it states:

> Under such regulations as the Secretary may prescribe, the county committee for any county may adjust any program for any program crop for any farm within such county to the extent that the committee determines that—
>
> One, a significant change in any farming practice on such farm will materially and permanently affect the yield for such crop on such farm, or
>
> Two, because of a natural disaster or other similar occurrence . . .

We have wind erosion. We may have to change to a no-till practice. We have saline seep. We may have to change to a more intensive cropping practice. We have water erosion. We may have to change to contour strips of grass.

Does this provide the protection for those kinds of areas?

Mr. **Stenholm**. It is my intent, the way the legislation is drafted, that this should be.

Mr. **Marlenee**. But it is the intent of the author, and it should be the intent of the committee when we pass this, that that protection is included?

Mr. **Stenholm**. Absolutely. It is also my clear intent not to penalize but to reward those conservation practices by having them considered in the farm acreage base in order that the flexibility of that farm can be enhanced as far as making other decisions, including the ones you are asking me specifically about.

Mr. **Marlenee**. Technology changes and so do the demands of the particular land and the times. We are writing permanent law, so that is an important point.

Mr. **Stenholm**. Would you yield just further?

Again, in response to Mr. Gunderson's question earlier—I don't believe you were here at the time, but the purpose of our allowing the 20-percent flexibility in the first year for an individual farmer to set his crop acreage bases is to allow that much flexibility to make changes on the individual farm. In each succeeding year we propose to allow an individual farmer to change 10 percent of his farm acreage base into any of the program crops that he chooses, provided that he do it 60 days ahead of the announcement of the farm program, so that that announced change in farming practices can be plugged into any farm program that we might have and adjusted accordingly for supply management purposes.

Mr. **Marlenee**. I thank the author. It has gone a long way toward allaying my fears in the bill.

The **Chairman**. I thank the gentleman.

Mr. Crowley, we have a commitment that the chairman and several other members have to make at 12:15. We will hear from you now, and then we will recess the committee until 1:30, and will invite all of you to return at 1:30.

Mr. **Crowley**. Mr. Chairman, would you want me to come back at 1:30 and summarize then?

The **Chairman**. It probably would be best, so that we could begin with you.

Mr. **Crowley**. Sure. I'll be here.

The **Chairman**. Do any of the members present have any further questions of Mr. Rank and Mr. Cozart?

Mr. English.

Mr. **English**. I have one, Mr. Chairman.

I understand Mr. Huckaby's situation with regard to his rice growers, and we have talked about that before. I think that he has a point, and it is a very good one.

I guess the question that I am raising is this: Is there any problem if every commodity is not uniform with the same type of system as far as this base is concerned?

One of the concerns, for instance, I have on wheat growers—if we go with the 2-year base, we have 94 million acres; if we go with the 5-year base, which Mr. Stenholm has in his bill, you are talking about 86 million acres. If you even went back further than that—I would love to go back 7 years, and you are talking about 83 million acres.

I guess the question I have is this: Certainly each commodity has its own peculiarities, its own particular problems. I want to try to help Mr. Huckaby with regard to the rice producers and deal with that situation. At the same time I think we have a problem as far as wheat is concerned.

I guess the question I would have for you, Mr. Rank, is this: Do you see any particular problems with any norm of scope and size if each of the commodities were treated differently in that respect?

Mr. **Rank**. Generally, I would say I believe we need to treat all commodities identically in how we establish bases, to give them equal and fair treatment.

We should not go back to what a person did 5 years ago and try to say that is his base for 1986 or use that as a major year. We need to let that farmer—what we would try to do is let him manage his farm, determine what he wants to plant on that farm, and use that as a basis for determining what his acreage is going to be in the future.

As close as we can, if we initiate this program and phase into it, we should try to use that criteria. What he is presently doing in establishing the yield—we go back to not less than it would be for the 1985 crop.

Mr. **English**. I wasn't asking you particularly for your philosophy on it, Mr. Rank. I was asking you from the standpoint of the mechanics of operating the program, if there is a problem. If so, what is it in administering the program in which, say, you had 5 years on wheat and you had 2 years on rice? What would be the difficulty with that?

Mr. **Rank**. We can administer any program that Congress writes, Congressman.

Mr. **English**. So that does not present any—there are no peculiarities as far as the nuts and bolts are concerned?

Mr. **Rank**. Right.

Mr. **English**. All right. Thank you very much, Mr. Chairman.

The **Chairman**. I thank the gentleman.

The committee will recess until 1:30. We invite our guests, witnesses, and members to return at 1:30.

[Whereupon, at 12:08 p.m., the committee recessed to reconvene at 1:30 p.m. the same day.]

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order.

The Chair would advise the members and any guests who are interested that H.R. 1383, by Mr. Weaver, that the legislation is in the process of further negotiation and clearing of language may or may not be concluded by the time of our hearing. Therefore, consideration of that item will be postponed to a later date, and the committee will be advised when we will pick up H.R. 1383.

Mr. Crowley, we will hear from you at this time, sir.

We welcome you and your colleagues who are here.

STATEMENT OF BRIAN P. CROWLEY, SENIOR ASSOCIATE DIRECTOR, RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY LEE NEWTON, KANSAS CITY OFFICE; CLIFF FOWLER, GROUP DIRECTOR; AND MICK BLAIR

Mr. CROWLEY. Thank you very much, Mr. Chairman.

Let me introduce my colleagues. On my left is Mr. Lee Newton. He is from our Kansas City regional office. He was in charge of the work that we will be presenting here today.

On my far right is Mick Blair. He is at our agricultural site. He also worked on this project.

To my immediate right is Cliff Fowler, who is our group director in charge of our crop program work at agriculture.

Mr. Chairman, we are happy to be here today at your request to discuss H.R. 1912. This is a bill on which we have just recently issued a report—it is dated today—in which we provide information as to what the effect of various provisions of H.R. 1912 would be.

This analysis was requested by several members of this committee who were concerned that USDA's administration of the Agriculture and Food Act of 1981 had resulted in inflated base acreage as well as phantom acres. We were asked to identify the provisions of the 1981 act and its administration which have allowed acreage bases to inflate and to determine whether the bill effectively addresses this problem, and to indicate what the acreage bases, program yields, and program costs would have been if the bill had been in effect instead of the 1981 act.

We were also asked for our assessment of whether other commodities besides the program crops should be included in the bill.

Finally, we were asked to assess the yield formula contained in the bill and to describe USDA's procedures covering double-cropping.

Mr. Chairman, I will be skipping through my statement. I would just indicate that the scope of our review is contained on page 3. I will submit the report which you may want to include in the record.

The first question we were asked was: Under what provisions of current law have base acreages been allowed to inflate?

For the 1982-85 crops, the 1981 act provided for the establishment of a separate acreage base for each program crop which would be the acreage planted in the previous year or, at the discretion of the Secretary, the average acreage planted for the 2 previous years.

In implementing this provision in 1982, the Secretary decided to use the higher of either the 1981 planted acres or the average of the 1980 and 1981 planted acres to establish acreage bases.

For the 1983 crop, the Omnibus Budget Reconcilation Act of 1982 provided that the acreage bases should be basically the same as those established in 1982.

For 1984, the Secretary provided that the acreage bases would be determined by averaging the 1982 and 1983 planted acres. Also, the Secretary determined that acres considered planted would also be included in deriving the average number of acres planted in the previous 2 years.

Under USDA regulations, acreage that a farmer was prevented from planting to a program crop as a result of a natural disaster or acreage taken out of production to comply with any USDA Acreage Reduction Program, or acreage that a producer elected not to plant, was considered planted acreage for program purposes.

The two acts plus the Secretary's definition of considered planted acres caused base inflation and phantom acreage. Let me elaborate somewhat on "considered planted acres."

This is when producers who have not planted a particular crop but want to retain their acreage base for that crop can certify that they have not planted the crop and are given full credit as if they had. This is done to take away the incentive to plant up to the maximum permitted for purposes of maintaining the established base.

Participating producers were given credit for planting their entire crop base even though they planted less or did not plant any acreage to that crop.

For example, a producer who participated in the 1984 program with a corn base of 100 acres was required to take 10 percent or 10 acres out of production, leaving 90 acres available for planting. Under USDA program requirements, if the producer elected to plant only 50 acres, USDA would give the producer full credit for the 100 acres in calculating the base acreage for this farm.

In this example, the producer could plant these acres to another program crop in which he or she was not participating at the time, and thereby establish a base for that new crop for the next year while still carrying forward the full crop acreage base for the crop not grown.

We were asked whether the bill as now proposed would help correct the inflated and phantom acreage condition, and we feel that it will. Under the bill, sections 102 and 103 establish a farm acreage base and a crop acreage base. The bill would help eliminate inflated acreage bases and phantom acres because the sum of the crop acreage bases may not exceed the farm acreage base.

However, specific language is needed in the bill, particularly section 108, to clarify the term "considered planted acres." For example, consideration should be given to not including acreage where farmers report zero planted acreage to a crop or farmers voluntarily reduce planted acres below program requirements.

Also, in the case of a disaster crop, consideration should be given to allowing credit only for the disaster crop or the crop planted in its place, but not both. I am not talking about double-cropping procedures in that case.

If the bill had been in effect with clarifying language for considered planted acres for the 1983 and 1984 crops of wheat, feed grains, cotton, and rice, there would have been a reduction in the amount of base acres producers could use for program purposes. We estimate that for all farms in the 18 counties we reviewed the USDA bases in 1983 would have been reduced by about 534,800 acres or about 12.5 percent.

We also were asked about the yields. With regard to yields, we compared the formula contained in the bill, section 106, with the proven yield formula used by USDA. For 1984, the comparison shows minor differences for wheat and feed grains but significant differences for cotton and rice.

Under the bill, yields for all program crops would be determined by using harvested yields for the most recent 5-year period, with such adjustments as the Secretary may prescribe.

The highest and lowest yields would be eliminated, and the remaining 3 years' yields would be averaged to obtain the yield for the farm.

USDA determines a proven yield for wheat and feed grain producers by using planted yields for the most recent 5-year period, with certain adjustments.

A comparison of these two for 1984 wheat and feed grains results in small differences.

As I pointed out before, the yield determinations for cotton and rice would be reduced about 16 percent and 9 percent, respectively, from USDA yields if the formula in the bill is used.

We were also asked whether the bill would reduce program payments, and we found that they would. Program payments to the farms in our sample would have been less for both 1983 and 1984 farm programs, had the bill been in effect.

However, there are two key assumptions that we had to use in making our estimates. First, we used the same farmer participation level that existed in 1983 and 1984. Second, we assumed that commodity supply and demand and the price of commodities would have remained the same in 1983 and 1984 had the bill been in effect.

We found that payments made to the sampled farmers participating in farm programs in 1983 would have been reduced by about $1.9 million or 16 percent, had the bill been in place.

For 1984, the only commodity for which payments were made for taking land out of production was wheat. For the participating farms in our sample, payments would have been reduced by about $207,300 or about 8 percent.

We were also asked about whether other crops should be included in the bill. As the bill is now written, the farm acreage base will include the program crops plus soybeans. The producers who grow soybeans would have increased flexibility as the farm acreage base would be higher and they could adjust their individual crop bases more than if soybeans were not included. However, whether soybeans or other crops should be included in this bill is really a policy matter for the Congress to debate and decide. If soybeans are included, consideration might be given to including other commodities to provide increased flexibility for the producers of those commodities.

I do have a couple of comments with regard to the parts of the bill which call for obtaining proven yield data and for some of the yield formulas.

The bill proposes a yield determination system which uses actual production evidence as a basis for assigning yields to farmers. The yield formula in the bill, section 106, uses harvested acres as a basis for determining annual program yields. You should give some consideration to using planted acres for harvest instead of harvested acres because farm program payments are made on the basis of planted acres for harvest and farmers currently report planted acres to USDA.

Further, the bill prescribes a procedure for averaging the actual annual yields per harvested acre determined for each of 3 years. In a sense, you have an average of averages.

Consideration should be given to using a weighted average calculation which takes into account the total number of acres planted for harvest during those years in determining program yields.

During our review we obtained some comments from the ASCS State and county officials on possible difficulties of moving to a system of proven yields proposed by the bill. They told us that such a system for wheat and feed grains would be time consuming and costly and may not provide any better yield data than are now obtained. Their rationale was that under current procedures ASCS offices can only accept as proof of production certain warehouse documents, storage bin measurements made by ASCS personnel, or field appraisals by ASCS personnel.

They said that because few wheat and feed grain producers now prove their yields, going to a system of all proven yields would greatly increase the workloads and that full-time staff could increase by as much as one to four people in each county.

They also said that it was inherently difficult for them to verify that producers did not commingle crops from different years or different farms. You might want to pursue that matter further with Mr. Cozart.

Essentially the information I have in my statement with regard to double-cropping is just the information that we were requested to provide.

That concludes my statement, Mr. Chairman. We have the report, so you can add that to the hearing record if you wish.

The CHAIRMAN. Thank you very much.

Yes, the report will be made a part of the record, along with the testimony of Mr. Stenholm and Mr. Rank.

[The prepared statement of Mr. Crowley and the U.S. General Accounting Office report appear at the conclusion of the hearing.]

The CHAIRMAN. Do we have any questions?

Mr. Huckaby.

Mr. HUCKABY. Thank you, Mr. Chairman.

Were you able to make any analysis of going back 2 years versus going back 5 years, as to the number of farmers which you would impact, who have gotten into farming in a particular commodity in the past 2 years or 5 years that you would severely penalize?

Mr. CROWLEY. Yes, sir, I think we did that.

Do you have the information?

Mr. NEWTON. Yes.

Mr. CROWLEY. Mr. Newton will respond to that.

Mr. NEWTON. Yes, Congressman.

We went back and we computed a 2-year average for what the bases would have been in 1982, using an average of 1980 and 1981. The bases would have been reduced about 10 percent.

We did that also for 1983, 1984, and 1985. For 1983, they would have been reduced about 8 percent; for 1984, about 8.5 percent; and for 1985, 11.5 percent. That is using a 2-year rolling average.

Mr. HUCKABY. No, I don't think you understood my question. My question is, if you go back and compute the farm acreage bases on a 5-year average, starting in 1986 going back 5 years——

Mr. NEWTON. Five years?

Mr. HUCKABY. Yes. How many farmers does that penalize? Have you done any type of a statistical sample? Does that significantly decrease the base that they have built? In the Mississippi Delta, numerous farmers that have built rice base under the 1981 farm bill. In the Southeast there have been numerous farmers that have built cotton base under the 1981 farm bill. If you look back 5 years, you can reduce their base in theory by as much as four-fifths. Do you have any idea of the number of farmers that this would adversely impact? Keep in mind that we are discussing several hundred thousand acres of rice that is apparently not phantom rice acreage base as well as cotton.

Mr. NEWTON. We don't have the number of farmers that would affect. We can't even tell you the number of farmers in our sample of 562 it would affect. Overall, we can tell you what the reduction in rice base acres would be for those producers that we looked at that grew rice.

Mr. HUCKABY. OK. So you don't have that.

Mr. CROWLEY. This would be just for the farms that are in our sample. We do have 2-year rolling averages for rice.

Your State was not one that we covered in our review.

Mr. HUCKABY. Are you prepared to make a judgment call on how we should enter into this type of a concept? I think you heard the discussion this morning——

Mr. CROWLEY. Yes, sir.

Mr. HUCKABY. Where it is the author's intent, I think everyone pretty well agrees, that we should not penalize people who have made financial investments and gotten into a business complying with an existing law, that we should not change the rule in the middle of the game and say, "We bankrupt you up here. We're gods."

How do you make this transition? Do you have any suggestions?

Mr. CROWLEY. I think some of the suggestions I heard before sounded pretty reasonable—to try to phase in something like this.

Obviously, these people are operating under legislation and regulations that the Federal Government produced. From a personal standpoint, I think we cannot really penalize people. We are going to have to ease them into this. I would suggest that anything that you do would be phased in over a period of time.

Mr. **Huckaby**. You would recommend phasing it in?

Mr. **Crowley**. Yes.

Mr. **Huckaby**. Two years, 3 years, 4 years, 5 years——

Mr. **Crowley**. That is my personal opinion, because we were not asked to evaluate that kind of thing. I think we would probably owe it to those people, yes.

As I pointed out, there are the two laws plus the Secretary's interpretation of those laws that really got us into the situation that we are in today.

Mr. **Huckaby**. Fine.

My time is about to expire.

I have one final question.

You had a significant reduction in cotton and rice the way you compute it.

Mr. **Crowley**. That's right.

Mr. **Huckaby**. Does that suggest that the way we compute yields today is inflated? Could you discuss this a little bit? I think you had a 16 percent—was that right?

Mr. **Crowley**. It was a 16-percent reduction.

Mr. **Huckaby**. That means you are talking about a significant reduction in the amount of deficiency payments that many farmers receive, a significant reduction, because we change the formula.

Would you comment on that, please?

Mr. **Crowley**. Where we did that calculation, we essentially took USDA's procedure for determining what the yield would be then we compared the results with those applying the formula contained in this bill. That is how we got the 16 percent difference.

The 16 percent difference is based more on actual production than the formula USDA uses now, but obviously it is going to hurt some people. That is up to you to decide how that hurt is going to be ameliorated.

The **Chairman**. Has the gentleman concluded?

Mr. **Huckaby**. Yes.

The **Chairman**. Mr. Stenholm.

Mr. **Stenholm**. On page 7 of your testimony, at the bottom of the page, the last paragraph, the second sentence, you say: "However, specific language is needed in the bill, section 108, to clarify the term 'considered planted acres.' "—could you comment a little further on that?

Mr. **Crowley**. Well, this is a problem that we pointed out on the previous page in my statement, which was that a producer could voluntarily not plant certain acreage. The example I used in my testimony is a producer that has a base of 100 acres who is required to set aside 10 acres to be in the program and elects not to plant 40 additional acres, and is still given credit for 100 acres as his base. This is what he can carry forward.

That producer can also plant that 40 acres to another program crop in which he is not producing something right now. He establishes a base for that crop the next year. Not only does he carry forward the 100 acres that he had before, he has 40 acres of an additional program crop.

It is to correct that kind of problem, sir.

Mr. **Stenholm**. Would you not concur with my thought that the bill as introduced takes care of that problem because, once you establish a farm acreage base, if you have a crop that is considered planted, and is counted against your farm acreage base, it will be very difficult to plant another crop and stay within any program. Were we to have restrictions on the amount of planted acres that could be planted in any farm program?

Mr. **Crowley**. Let me talk to my lawyer.

This is John-McGrail from my General Counsel's office.

[Mr. Crowley confers with Mr. McGrail privately.]

Mr. **Crowley**. Our concern, Mr. Stenholm, was that it really was not well spelled out. We can provide additional information for the record, if you wish. Our concern when we read it was that it was not that clear.

Mr. **Stenholm**. Yes, please furnish that for us.

[Material supplied follows:]

> Mr. **Crowley**. While the current bill addresses considered planted acres, we believe that additional clarifying language is needed. Specifically, we believe that section 108(b) of the bill should be amended by striking the ";" after the word "soybeans" and in lieu thereof adding: ", provided that, should a producer voluntarily take more acreage out of production than is required under any acreage or crop limitation program, the number of acres considered planted should not include the acreage voluntarily taken out of production."

Mr. **Stenholm**. Finally, I want to follow up on Mr. Huckaby's question to you. I believe you answered it affirmatively as far as your thoughts on using a 2-year base period as opposed to a 5-year average. I believe you responded favorably to that, and then if we started with 2, phasing in with 3 the next year; the next year use 4; and eventually get to a 5?

Mr. **Crowley**. I have a table, sir, where we did a rolling average for each of the crops—the wheat, feed grains, cotton, and rice. We began in 1982 and we rolled it forward to 1985, and it shows what it was and what the difference would be.

Mr. **Stenholm**. Yes, but you don't foresee any—there are no red flags that go up if our desire is to do away with as many phantom acres as we can. The 2-year versus the 5-year does not present any problem——

Mr. **Crowley**. No.

Mr. **Stenholm**. On the crop acreage bases, I guess this is the question I ought to be asking: It is my feeling that what Mr. Huckaby's concern is that we deal with a crop acreage basis. To establish the farm acreage base, it would seem to me that the fairest, most equitable way would be to utilize the last 5 years rather than just the last 2 on a farm acreage base. What Mr. Huckaby's concern is that an individual who has shifted dramatically in the last 2 of the 5 for one specific crop and wants to see, in this case a rice producer who has shifted and has a 500-acre rice base the last 2 years. So conforming to the current farm legislation—would he not be adversely penalized by having to take a 5-year average on a specific crop.

However, it seems to me as though the issue on the farm acreage base is dependent upon the overall crop acreage available and how he has been farming it, and establishing that as the outer confines.

Mr. CROWLEY. That is the total acres that the man would have.

Mr. STENHOLM. I would like Mr. Huckaby to respond to that statement for me.

Mr. HUCKABY. If the gentleman would yield, this does not take into consideration new land that was put into cultivation. If the land had been converted from soybeans to rice, it would, but not for new land that was put into cultivation or land that was put in from a nonprogram crop to a program crop. Your bill does not count sugarcane land today as part of the farm acreage base, does it?

Mr. STENHOLM. That is correct today.

Mr. HUCKABY. It does not count it. It does take this into considerations.

Mr. STENHOLM. With the exception that we do provide for the county committee to make such determinations as may adversely affect an individual's personal situation.

No further questions.

The CHAIRMAN. Are there further questions of Mr. Crowley and his experts?

Mr. Stangeland.

Mr. STANGELAND. Mr. Chairman, I don't have a question of Mr. Crowley, but I have a suggestion and I would respectfully request that you consider it, having visited with Mr. Madigan, Mr. Stenholm, Mr. Huckaby, and Mr. English.

The CHAIRMAN. The chairman will be happy to hear your suggestion.

Mr. STANGELAND. Looking at the attendance that we have had on a very major piece of legislation—it is certainly not revolutionary but very evolutionary—in order to expedite a markup and come to some kind of a conclusion, I would suggest that you work with Mr. Madigan; Mr. Foley, the chairman of the Wheat, Soybeans, and Feed Grains Subcommittee; Mr. Huckaby, the chairman of the Cotton, Rice, and Sugar Subcommittee, and if you saw fit, the ranking Republicans of those two subcommittees, to set up a task force that could hammer out the compromises necessary in this legislation and bring it back to the committee.

I think you saw fit to do that in the dairy diversion program that was a very difficult issue to settle. I think this one is perhaps even more difficult. It is not a political problem but rather a commodity problem. I would urge you to consider that. I think that might expedite the effort that I think all of us agree has to be done.

I thank you.

The CHAIRMAN. The gentleman makes a very good and constructive suggestion.

Do we have any more questions of Mr. Stenholm from any of the members? Mr. Stenholm, do you have anything further?

Mr. STENHOLM. I would like Mr. Cozart to come to the table again. I have one question that I want to ask of him.

The CHAIRMAN. Mr. Cozart, would you kindly return to the witness table?

Mr. STENHOLM. Mr. Cozart, would you respond to the GAO's concerns that they found in county ASCS offices concerning the time consumption, the cost, and the difficulty of ascertaining proven yields in various commodities, in regard to the way we do it today versus the suggestion in the bill as now written?

Mr. COZART. I don't believe it would take that much additional labor and time to have proven yields on the wheat and feed grains, for the simple reason we are now establishing IYC's and APH's for the Federal Crop Insurance, assisting them in carrying out that program, which involves the majority of our wheat and feed grain farms in each county. We are actually working on a 10-year yield and doing that work. This is only asking for 5. I think in conjunction with what we are doing with FCIC that it would be a very little additional work.

It certainly would not be an increase for cotton and rice because we currently have proven production and take production records annually on that.

Mr. STENHOLM. Would you have any knowledge off the top of your head, to respond to the cut in cotton and rice yields that would occur with my bill versus how we are doing it today? If you don't, you can supply it for the record.

Mr. COZART. This is strictly my judgment, but, because you have the 10 percent hold-down that is the maximum that can take place from one year to another, I would not agree, based on my own knowledge of it, that it would go down 16 percent.

Mr. STENHOLM. You would not expect that this sample would be the rule——

Mr. COZART. Right. I don't know but, based on the statement I read in here concerning that, it says based on a 5-year strict production. It is not based on 5 years of production if it is going down by more than 10 percent under your bill.

Mr. HUCKABY. Would the gentleman yield on that?

Mr. STENHOLM. Yes.

Mr. HUCKABY. You just said that your study said it was 16 percent less. He has a 10-percent minimum reduction, so you go down 10 one year and whatever to get to that 6 the next year.

Mr. STENHOLM. No, no, no. Ten percent per year.

Mr. HUCKABY. What?

Mr. STENHOLM. Not 10 percent of your average projected yield. No individual yield can decline more than 10 percent.

Mr. HUCKABY. Right. And you base this on "X" number of individual farms.

Mr. COZART. That is right.

Mr. HUCKABY. These gentlemen over here were saying you are going to have a significant reduction, and you are saying you are not going to have a reduction.

Mr. COZART. Well, no, I am not saying we are not going to have a reduction. I did not intend to imply that.

Based on the statement that I read out of the GAO report, it says that theirs is based on 5 years' actual production. If that is the case, I am not sure whether they took into consideration the 10-percent holddown from one year to another.

Mr. NEWTON. We did not.

Mr. CROWLEY. We were just asked to look at the difference between the formulas, and that is what we did. The difference between the two formulas was 16 percent. We did not go to the other section of the bill which says that it cannot be reduced more than 10 percent.

Mr. **Huckaby**. I have a simple question, if you can answer it. If I am in the cotton program this year, with the set-aside and all, and my yield is 500 pounds of cotton under existing formula, what would it be under the new formula?

Mr. **Crowley**. I would have to know your production.

Mr. **Cozart**. It could not be less than 450. Of course, his bill also says that he is going to carry the 1985 yield straight into 1986, so there would be no reduction.

Mr. **Huckaby**. But once you get into this thing beyond the 1986 period, you in all probability would drop to 450; is that what you are saying based on your numbers?

Mr. **Crowley**. Based on my numbers.

Mr. **Huckaby**. So if I am under $50,000, I am looking at a 10 percent reduction in my deficiency payment; is that correct?

Mr. **Crowley**. Yes.

Mr. **Huckaby**. Thank you.

Mr. **Stenholm**. Let me make certain I understand now. You did not consider the 10-percent floor or the 90-percent floor.

Mr. **Crowley**. No.

Mr. **Stenholm**. So the only way you could completely, totally, and accurately say that we would have a 16-percent decline, would be to go back and look at each individual farm and compute whether the 90-percent factor would have kept it higher or lower.

Mr. **Crowley**. That is right.

Mr. **Stenholm**. I have no further questions.

The **Chairman**. The gentleman has concluded?

Are there any further questions for Mr. Cozart, Mr. Crowley?

If not, we thank all of you gentlemen——

Mr. **Stenholm**. Mr. Chairman, I have one other I want to pursue with Mr. Cozart.

The **Chairman**. The gentleman is recognized for that purpose.

Mr. **Stenholm**. Mr. Evans was concerned this morning—and I would like you to comment regarding the difference between wheat, feed grains, and cotton and the shift that would occur to proven yields in those commodities versus where we now are with cotton and rice, where we have proven yields—could you comment on that as far as what you would perceive occurring.

Mr. **Cozart**. I would expect that the yields will on the average go down, the national average yields, for the simple reason that this would require that everyone prove their yields, and currently everyone does not prove their yields. Primarily those that don't are those that cannot prove a yield as high as we currently have it established. Now once they have to go to proven production, then their yield will reflect their history.

Mr. **Stenholm**. In other words, the situation within a feed grain county or a wheat county, is, when the county yield is computed under the formula that you described this morning on a national, a State and a county basis. Then it is weighted. Then it all has to be added up and conformed. An individual who receives a yield from the county that is higher than what he can prove, feels is correct is not going to come in and ask to have a yield proven lower?

Mr. **Cozart**. That is correct.

Mr. **STENHOLM**. If an individual has his yield computed and finds that his computed yield is lower. He will then try to have it raised. Is that not correct?

Mr. **COZART**. That is correct.

Mr. **STENHOLM**. And he will receive that which he has proven.

Mr. **COZART**. Those that can increase their yields have proven them and those that cannot increase their yields have not, and therefore on the average I think our yields are on the high side.

Mr. **STENHOLM**. I would yield to Mr. Evans.

Does this answer the question you were asking along these lines this morning?

Mr. **EVANS** of Iowa. It is very helpful. I might followup on it in due course if there is an opportunity.

Mr. **STENHOLM**. Thank you.

The **CHAIRMAN**. I thank the gentleman.

Mr. Evans.

Mr. **EVANS** of Iowa. Mr. Cozart, if I may pursue that just a little bit further, I plead ignorance on what you have in your bill on proven yields, but how do you prove yields on corn acres that are harvested as silage?

Mr. **COZART**. We go out and appraise those acres if the producer will come in and ask us or tell us that he is going to harvest it for silage and he would like for us to appraise that production for the benefit of proving his yield.

Mr. **EVANS** of Iowa. Can a similar approach be taken to corn that is harvested as grain if the producer wishes to do so?

Mr. **COZART**. Yes, sir, it can. This is a deal that Federal Crop is pushing or has offered producers. ASCS does not necessarily agree that if they are going to harvest it for grain we ought to go out and appraise it. We believe it ought to be appraised only if it is not going to be harvested for grain.

Mr. **EVANS** of Iowa. Your approach would be in any new bill, your preferred approach would be to only do the field assessment on the case of something that is harvested for silage?

Mr. **COZART**. That is right. Anything for something other than for grain.

Mr. **EVANS** of Iowa. Now for the guy who harvests it and puts it in the bin and does not haul to town and get it weighed right away, what problems does that pose for him?

Mr. **COZART**. It shouldn't pose any problem except for the fact that we are going to have to go out and measure the bin and take some test weights to establish the amount of bushels in there. That, of course, is not quite as accurate as if he had carried it across the scale.

Mr. **EVANS** of Iowa. But you are willing to accept that measure of establishing proven yields, measurement of bins and test weight?

Mr. **COZART**. Yes, sir; we are doing that today.

Mr. **EVANS** of Iowa. Thank you very much.

Mr. **VOLKMER**. Would the gentleman yield?

Mr. **EVANS** of Iowa. Yes, I would be glad to yield.

Mr. **VOLKMER**. In other words, for the farmer that feeds grain and does not sell his grain and has his own storage, you are going to have to use those storage figures to determine his yield?

Mr. **COZART**. That is correct.

The CHAIRMAN. Has everyone concluded?

Mr. Penny.

Mr. PENNY. What happens to the yield that is allocated to producers that don't have proven yield when a number of producers in that county go out and demonstrate a proven yield that is much greater than their previous allotment? You have a county cap. What happens to everybody else that is not proving their yield if you have a good number of farmers who go in and prove a higher yield than they are currently receiving?

Mr. COZART. OK. Nothing happens to him the year in which these other people are proving up their production. It catches up with him the second year, because then they have to take into consideration the previous year's proven yields as a preliminary yield for that farm in the subsequent year and weight the county back. Those people who did not prove their yields are going to have to make up the increased proven yield.

Mr. PENNY. So it would be prorated among those that don't have a proven yield as a reduction to offset the increase provided.

Mr. COZART. That is right. Now the thing is, they have an alternative to come in and prove theirs. If we get their yield down below what they can prove, they can always prove it up.

Mr. PENNY. As long as the county cap on yield is in place, isn't there a limit to how many people can come in and prove a higher yield?

Mr. COZART. No, sir, because we provide that no yield can be less than what they can prove. The fact is that is required by law in the 1981 farm bill—that if they can prove production, we must give it to them.

Mr. PENNY. But aren't those who do not have a proven yield going to be constantly squeezed downward? What I am saying is somebody is always going to give—let's say you have one farmer left in that county that did not go in and prove his yield and everybody else did. That farmer could be down to the zero base. Is that theoretically possible

Mr. COZART. Theoretically that is possible.

Mr. PENNY. We have a little bit of a problem particularly with livestock producers then, don't we, because up until now they haven't had much of an incentive to come in and prove their yield? I think after the PIK Program they perhaps did, but up until that they did not.

Mr. COZART. I think the problem there was they did not anticipate ever wanting to participate in the program, and, therefore, they did not bother to ask us to come out and appraise their production.

Mr. PENNY. If we were to move forward with this legislation, it seems that some amendment may be necessary to encourage the Department to be more aggressive in offering assistance to all these folks who are primarily producing for livestock to get a proven yield established. I can see they are the ones who are going to be taking this reduction while others are demonstrating higher yields.

Mr. COZART. I believe that Mr. Stenholm's bill provides the avenue to provide the equity that you are talking about through the county committee system in reviewing and establishing equitable yields.

Mr. PENNY. I don't have any further questions, Mr. Chairman.

The CHAIRMAN. Any further questions?

[No response.]

The CHAIRMAN. Thank you, gentlemen.

Before we conclude, the Chair has come to the conclusion that to be a successful farmer you must be a Philadelphia lawyer with expertise in accounting, meteorology, agronomy, a fast computer, and a lot of luck.

I think that is what we have discovered today.

We thank all of you gentlemen. I would advise you that we will be coming back to you for your expertise and your suggestions.

If there is no objection from the members, the Chair will agree with the suggestion made by our colleague from Minnesota, Mr. Stangeland, and appoint a task force to work on this issue and report back to the committee. We will announce the composition of the task force sometime next week.

The Chair will advise that it cannot be a full committee task force, but we will try to accommodate all of the areas of interest geographically and physically by members of the committee.

We thank our experts in this area, and we thank the members for their attendance.

The committee will stand adjourned subject to the call of the Chair.

[Whereupon, at 2:32 p.m., the committee recessed to reconvene at the call of the Chair.]

[Material submitted for inclusion in the record follows:]

99TH CONGRESS
1ST SESSION

H. R. 1912

To establish the farm and crop acreage base and program yield system to provide more efficient, equitable, flexible, and predictable programs for farmers.

IN THE HOUSE OF REPRESENTATIVES

APRIL 2, 1985

Mr. STENHOLM (for himself, Mr. ROBERTS, Mr. ENGLISH, Mr. LEATH of Texas, Mr. WHITLEY, Mr. BOULTER, and Mr. ORTIZ) introduced the following bill; which was referred to the Committee on Agriculture.

A BILL

To establish the farm and crop acreage base and program yield system to provide more efficient, equitable, flexible, and predictable programs for farmers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Agricultural Efficiency and Equity Act of 1985".

TITLE I—ACREAGE BASE AND PROGRAM YIELD SYSTEM

ESTABLISHMENT OF PROGRAM

SEC. 101. The purpose of this Act is to prescribe a system for establishing farm and crop acreage bases and program yields that is efficient, equitable, flexible, and predictable.

FARM ACREAGE BASE

SEC. 102. (a) The Secretary shall provide, for each farm on which at least one program crop was produced during at least one of the five crop years immediately preceding the 1986 crop year, for the establishment and maintenance of a farm acreage base.

(b)(1) The county committee shall determine the farm acreage base for any crop year beginning after the 1985 crop year for any farm referred to in subsection (a) which shall, except as otherwise provided in paragraph (2), be the number of acres which is equal to the average of the total acreage planted to all program crops on such farm in each of the five crop years immediately preceding any such crop year.

(2) For the purpose of determining the farm acreage base for the 1986 crop year for any farm referred to in subsection (a), the county committee may construct a planting history for such farm if—

(A) planting records for such farm for any of the five crop years preceding the 1986 crop year are incomplete or unavailable; or

(B) during at least one but not more than four of the five crop years preceding the 1986 crop year of such crop, no program crop was produced on such farm.

CROP ACREAGE BASE

SEC. 103. (a)(1) The Secretary shall provide for the establishment and maintenance of a crop acreage base for each program crop (including any program crop produced under an established practice of double cropping) produced on each farm referred to in section 102(a).

(2) The sum of the crop acreage bases for all program crops produced on any farm for any crop year shall not exceed the farm acreage base for such farm for such crop year, except to the extent that such excess is due to an established practice of double cropping, as determined by the county committee and subject to such regulations as the Secretary may prescribe.

(b) The county committee shall determine the crop acreage base for any program crop for any crop year for any farm. The crop acreage base for any program crop for any crop year beginning after the 1985 crop year for any farm referred to in section 102(a) shall be the number of acres which is equal to the average of the total number of acres planted to such crop on such farm in each of the five crop years preceding such crop year.

ADJUSTMENT OF CROP ACREAGE BASES BY PRODUCERS

SEC. 104. (a) Any producer may, by submitting notice to the county committee before the time specified in subsection (c) with respect to any crop year, increase or decrease the crop acreage base for any program crop for any farm for such crop year to the extent provided in subsection (b).

(b) An adjustment of any crop acreage base for any farm under subsection (a) (or, in the case of an adjustment in the crop acreage bases for two or more program crops, the sum of the number of acres by which each such crop acreage base is increased or decreased) may not exceed the number of acres which is equal to 10 per centum of the farm acreage base for such farm for such crop year: *Provided,* That such adjustment may not exceed the number of acres which is equal to 20 per centum of the farm acreage base for such farm for the 1986 crop year: *Provided further,* That no such adjustment shall be construed to increase the farm acreage base for such farm for such crop year.

(c) Any notice under subsection (a) shall be submitted by the producer to the county committee before the first day of the sixty-day period ending on—

(1) the final date required by law for the announcement by the Secretary of any acreage or supply control

program with respect to the crop for the crop year involved; or

(2) in the case of—

(A) wheat, the July 1 immediately preceding the beginning of such crop year;

(B) feed grains, the September 30 immediately preceding the beginning of such crop year;

(C) upland cotton, the November 1 immediately preceding the beginning of such crop year; and

(D) rice, the January 1 immediately preceding the beginning of such crop year,

whichever date occurs first with respect to the crop for such crop year.

ELIGIBILITY OF PRODUCERS FOR PRICE SUPPORT AND OTHER BENEFITS

SEC. 105. (a) Only a producer who is a cooperator for any crop year for any farm shall be eligible for any loan, purchase or payment under any price support, acreage or supply control, or similar program carried out by the Secretary for any program crop for such crop year.

(b) A producer shall be considered a cooperator for any crop year with respect to a farm if the producer has established and maintained a farm acreage base for such crop year for such farm and a crop acreage base for such crop year for each program crop produced on such farm and—

(1) the number of acres planted to all program crops on such farm by such producer for such crop year does not exceed the farm acreage base for such farm for such crop year, and

(2) the number of acres planted to each program crop on such farm by such producer for such crop year does not exceed the crop acreage base for such crop for such farm for such crop year.

(c) The Secretary may suspend, on a nationwide basis, any farm acreage base limitation, any crop acreage base limitation with respect to any program crop, or any limitation contained in section 104(b) with respect to any program crop if the Secretary determines that—

(1) a short supply of any such crop, or other similar emergency situation, exists with respect to any such crop; or

(2) market factors exist which require the suspension of any such limitation in order to achieve the purposes of the program.

(d) Notwithstanding any other provision of this section, the Secretary may, on a nationwide basis, consider a producer a cooperator for any crop year with respect to any program crop produced on a farm by such producer if—

(1) such producer has established and maintained a farm acreage base and a crop acreage base for such crop for such crop year on such farm, and

(2) the number of acres planted to such program crop on such farm by such producer for such crop year does not exceed the crop acreage base for such crop on such farm for such crop year.

PROGRAM YIELD

SEC. 106. (a) The Secretary shall provide for establishing a program yield for each program crop for each crop year for any farm.

(b)(1) The county committee shall determine the program yield for any program crop for any crop year for any farm. Subject to paragraphs (2) and (3), and except as otherwise provided in subsection (d), the program yield for any program crop for any crop year for any farm shall be the average of the actual yield per harvested acre for such crop for such farm for each of the five crop years immediately preceding such crop year, excluding the crop year with the highest yield per harvested acre, the crop year with the lowest yield per harvested acre, and any crop year in which such crop was not planted on such farm.

(2) The program yield for any program crop for any crop year for any farm shall not be more than 150 per centum or, except as provided in paragraph (3), less than 90 per centum

of the program yield for such crop for the immediately preceding crop year for such farm.

(3) The program yield for any program crop for the 1986 crop year shall not be less than the yield established for such crop for the 1985 crop year under the Agriculture and Food Act of 1981.

(c) Under such regulations as the Secretary may prescribe, the county committee for any county may adjust any program for any program crop for any farm within such county to the extent that the committee determines that—

(1) a significant change in any farming practice on such farm will materially and permanently affect the yield for such crop on such farm, or

(2) because of a natural disaster or other similar occurrence, the program yield for such crop on such farm does not accurately reflect the productive potential of such farm.

(d) In the case of any farm for which the actual yield per harvested acre for any program crop referred to in subsection (b)(1) for any crop year is not available, the county committee may assign such farm a program yield for such crop for such crop year on the basis of actual yields for such crop for such crop year on farms which the committee determines are similar to such farm with respect to size, location and farming practices.

RESPONSIBILITIES OF COUNTY COMMITTEES

SEC. 107. (a)(1) For each crop year beginning after the 1985 crop year, each county committee shall, in accordance with such regulations as the Secretary may prescribe, maintain records of the farm acreage base for each farm operated by a producer within the county and the crop acreage base for each program crop produced on each such farm.

(2) The records of farm acreage bases for the 1986 crop year shall reflect the determinations made under section 102(b) and shall be based on—

(A) any crop planting history for any farm submitted to the county committee by any producer who seeks to be considered a cooperator; and

(B) any construction of any planting history for any farm of any such producer by the county committee to the extent provided in section 102(b)(2).

(3) For purposes of the 1986 and subsequent crop years for any farm, each county committee shall, at such time and in such manner as the Secretary may by regulation prescribe, request each producer who seeks to be considered a cooperator with respect to a farm for the next succeeding crop year to specify the total number of acres planted to program crops in each of the five crop years immediately preceding such crop year on such farm, and the total number of acres planted

to each program crop in each such crop year on such farm. The county committee shall—

(A) before the end of each crop year, adjust the farm acreage base and each crop acreage base for the next succeeding crop year for any such farm on the basis of such information; and

(B) before the beginning of such next succeeding crop year, notify each such producer of the farm acreage base and each crop acreage base which shall apply to such farm for such succeeding crop year.

(b)(1) For each crop year beginning after the 1985 crop year, each county committee shall, in accordance with such regulations as the Secretary may prescribe, maintain records of the program yield for any program crop for any crop year for any farm operated by a producer within such county.

(2) The records of program yields for any program crop for any crop year for any farm shall reflect the determinations made under section 106(b) and shall be based on—

(A) any crop yield history for the five crop years immediately preceding the 1986 crop year which was submitted to the county committee by any producer who seeks to be considered a cooperator;

(B) any construction of any crop yield history for any farm by the county committee to the extent provided in section 106(d);

(C) the actual yield per harvested acre for such crop for such farm for the 1986 and each subsequent crop year; and

(D) any adjustment in the program yield for any such crop by the county committee under section 106(c).

(3) Each county committee shall, at such time and in such manner as the Secretary may by regulation prescribe, request any producer who seeks to be considered a cooperator to supply such information as may be necessary for determining any program yield as provided in section 106(b) for any program crop produced on any farm within such county by such producer for any crop year. The county committee shall notify each producer of such determination for each crop year.

(c)(1) If a county committee determines that the occurrence of a natural disaster prevented the planting of any program crop on any farm within such county (or substantially destroyed any such program crop after it had been planted but before it had been harvested), the county committee may, under such regulations as the Secretary may prescribe, allow the producer to plant any other crop, including any other program crop, on the acreage of such farm which, but for the occurrence of such disaster, would have been devoted to the planting of such program crop.

(2) For purposes of determining any farm acreage base, any crop acreage base, or the eligibility of any producer to be considered a cooperator, any acreage on a farm on which any crop was planted as a substitute for any program crop, including any other program crop, pursuant to any determination under paragraph (1) shall be taken into account as if such acreage had been planted to the program crop for which such other crop was substituted.

(d) Each county committee may provide for the establishment of a farm acreage base and crop acreage bases with respect to any farm located within any such county if such farm acreage base and crop acreage bases cannot be established pursuant to sections 102 and 103 of this Act. Such bases shall be established in a fair and equitable manner in accordance with regulations which the Secretary shall publish no later than sixty days subsequent to the date of enactment of this Act, except that no such bases shall be established for a farm if the producer on such farm is subject to sanctions under any provision of Federal law for cultivating highly erodible land.

(e) The Secretary shall establish, by regulation, an appeal procedure under which a person who is adversely affected by any determination made under this Act may seek administrative review of such determination.

DEFINITIONS; SPECIAL RULES

SEC. 108. (a) For purposes of this Act—

(1) the term "Secretary" means the Secretary of Agriculture;

(2) the term "program" means the farm and crop acreage base and program yield system established by this Act;

(3) the term "program crop" means any crop of wheat, feed grain, upland cotton, or rice;

(4) the term "crop year" means the calendar year in which a crop is normally harvested, except that, in the case of a crop which is normally harvested in January, February, or March of any calendar year, the term "crop year" with respect to such crop means the calendar year in which such crop is planted and during which substantially all growth occurs;

(5) the term "county committee" means the county committee established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for the county in which the farm is located; and

(6) the term "cooperator" means any producer of any program crop who is considered a cooperator under the provisions of section 105 (b) or (d).

(b) For purposes of determining any farm acreage base or any crop acreage base under this Act, the number of acres planted to any program crop includes any acreage which, under any other provision of law, is required to be considered as having been planted by a producer because of the participation of such producer in any acreage or crop limitation program established under any Act of Congress, except to the extent that such acreage is planted to soybeans;

(c) For purposes of determining any farm acreage base under this Act, the number of acres planted to any program crop also includes any acreage which—

(1) is devoted by a producer to a conserving use in the normal course of farming operations, as determined by the county committee under regulations which the Secretary shall publish no later than sixty days after the date of enactment of this Act;

(2) any producer was unable to plant to such crop (or, if planted to such crop, was unable to harvest) because of the occurrence of a natural disaster as determined by the county committee under section 107(c)(1); or

(3) was planted to soybeans.

(d) Notwithstanding subsection (c)(3), in any year that acreage planted (and considered planted under the provisions of subsections (b) and (c)) to all program crops on a farm exceeds the farm acreage base for such farm for such crop year, and such excess would not have occurred but for the planting of soybeans, a number of acres equal to the difference between (i) the total of (A) the acreage planted (and considered planted under the provisions of subsections (b) and (c)) to all program crops for such farm for such crop year and (B) the total acreage planted to soybeans, and (ii) the farm acreage base for such farm for such crop year, shall not be considered planted under subsection (c)(3).

TITLE II—PRICE SUPPORT LEVELS FOR PROGRAM CROPS AND RECONCILIATION WITH PERMANENT LAW

SEC. 201. Effective beginning with the 1986 crop of wheat, feed grains, and upland cotton—

(a) Sections 326, 327, 328, 329, 330, 332, 333, 334, 334a, 335, 336, 338, 339, 342, 342a, 343, 344, 344a, 345, 346, 372(a), 379b, 379c, 379d, 379e, 379f, 379g, 379h, 379i, and 379j of the Agricultural Adjustment Act of 1938 are repealed;

(b) Section 361 of the Agricultural Adjustment Act of 1938 is amended by striking out the words ", corn, wheat, cotton," and the words "and rice,", and inserting the word "and" before the word "peanuts" and striking out the comma thereafter;

(c) Section 371 of the Agricultural Adjustment Act of 1938 is amended by striking out the words "cotton, rice,", and striking out the comma after the word "peanuts";

(d) Section 374(b) of the Agricultural Adjustment Act of 1938 is amended by striking out the phrase "farm acreage allotment" each time it occurs and inserting in lieu thereof the phrase "crop acreage base";

(e) Section 375 of the Agricultural Adjustment Act of 1938 is amended by striking out the words "corn, wheat, cotton, rice,";

(f) Section 377 of the Agricultural Adjustment Act of 1938 is amended by, in the first proviso, striking out the words "or, in the case of upland cotton on a farm which qualified for price support on the crop produced in any such year under section 103(b) of the Agricultural Act of 1949, as amended, 75 per centum of the farm domestic allotment established under section 350 for any such year"; and

(g) Section 378 of the Agricultural Adjustment Act of 1938 is amended by adding a new subsection (g) as follows:

"(g) In applying the provisions of this section to a farm for which a farm acreage base has been determined under the provisions of the Agricultural Efficiency and Equity Act, the word "allotment", wherever it appears, shall be construed to mean "farm acreage base and any crop acreage base comprised therein"."

SEC. 202. Effective beginning with the 1986 crop of wheat, Public Law 74, 77th Congress, as amended (55 Stat. 203, May 26, 1941), is repealed.

SEC. 203. Effective beginning with the 1986 crop of wheat, feed grains, and upland cotton, the Agricultural Act of 1949 is amended by—

(a) in section 101—

(1) in the introductory paragraph, striking out ", if producers have not disapproved marketing quotas for such crop"; and

(2) subsection (d)(3) is amended to read:

"(3) the level of price support to cooperators for any crop of peanuts for which marketing quotas have been disapproved by producers shall be 50 per centum of the parity price therefor; and no price support shall be made available for any crop of tobacco for which marketing quotas have been disapproved by producers;";

(b) in section 103(a)—

(1) in the first sentence, striking out "for which producers have not disapproved marketing quotas"; and

(2) in the third sentence, striking out "and in case marketing quotas are disapproved";

(c) in sections 105 (a) and (b), striking out "producers" and inserting in lieu thereof "cooperators";

(d) in section 107—

(1) in paragraph (1), striking out the words "accompanied by domestic certificates" and inserting in lieu thereof the words "produced by a cooperator";

(2) striking out paragraphs (2), (3), (5), and (6); and

(3) redesignating paragraph (4) as paragraph (2); and

(e) amending section 408(b) to read as follows:

"(b) A "cooperator" (1) with respect to wheat, feed grains, upland cotton, and rice, shall be a "cooperator" as that term is defined in section 108(a)(6) of the Agricultural Efficiency and Equity Act, and (2) with respect to any other basic agricultural commodity, shall be a producer on whose farm the acreage planted to the commodity does not exceed the farm acreage allotment for the commodity under title III of the Agricultural Adjustment Act of 1938.".

SEC. 204. Effective beginning with the 1986 crop of wheat, section 327 of the Food and Agriculture Act of 1962 (7 U.S.C. 1339b) is repealed.

SEC. 205. Effective beginning with the 1986 crop of wheat, feed grains, and upland cotton, section 706 of the

Food and Agriculture Act of 1965 (7 U.S.C. 1305) is amended by striking out the words "feed grain" each time they appear and inserting in lieu thereof the word "acreage".

SEC. 206. Effective beginning with the 1986 crop of upland cotton, section 506 of the Agriculture and Food Act of 1981 (7 U.S.C. 1342 note) is repealed.

UNITED STATES GENERAL ACCOUNTING OFFICE
Washington, D. C. 20548

FOR RELEASE ON DELIVERY
Expected at 9:30 A.M. EST
Wednesday, April 24, 1985

STATEMENT OF
BRIAN P. CROWLEY
SENIOR ASSOCIATE DIRECTOR
RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION

BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE
ON THE PROPOSED
AGRICULTURAL EFFICIENCY AND EQUITY
ACT OF 1985

Mr. Chairman and Members of the Committee:

We are glad to be here today at your request to discuss H.R. 1912 (the bill), the proposed Agricultural Efficiency and Equity Act of 1985 which would change the manner in which the Department of Agriculture (USDA) computes acreage bases and program yields. As you know, we were asked to analyze certain aspects of a similar version of this bill, H.R. 4565, which was introduced in the last Congress.

My testimony today will summarize the results of our analysis. In addition, we are making available today our report which presents the results of our analysis in greater detail.

Acreage bases and program yields are two of the tools USDA uses in administering farm programs for producers of program crops--wheat, feed grains (barley, oats, corn, and grain sorghum), cotton, and rice. Base acreage and program yield determinations are key components in USDA's formula for computing the amount of payment producers receive for participating in farm programs. Essentially, base acres are the amount of land which USDA recognizes that a farmer has historically planted to a program crop. A program yield is the production capacity USDA associates with a particular farm.

In requesting our analysis, members of this Committee were concerned that USDA's administration of the Agriculture and Food Act of 1981 (the 1981 act) had resulted in "inflated base acreage"--a condition in which a farm's base acreage had increased above the farm's usual planted acres, as well as "phantom acres"--a condition in which a farm's total base acreage exceeds the farm's actual cropland.

We were asked to identify the provisions of the 1981 act and its administration which have allowed acreage bases to inflate; to determine whether the bill effectively addresses this problem; and to indicate what the acreage bases, program yields, and program costs would have been if the bill had been in effect instead of the 1981 act. We were also requested to provide our assessment of whether other commodities besides the program crops should be included in the bill. Finally, we were asked to assess the yield formula contained in the bill and to describe USDA's procedures covering double cropping--the planting of two crops on the same acreage in the same year. Before providing our responses to each of these concerns, Mr. Chairman, we would like to briefly highlight the scope of our work.

SCOPE OF REVIEW

We visited 18 counties in six states--Kansas, Iowa, Minnesota, Nebraska, Arkansas, and Texas. We selected these states because they accounted for about 43 percent of USDA's wheat and feed grains payments and about 51 percent of USDA's rice and cotton payments from October 1, 1982, through March 31, 1984.

We used a statistical sampling approach to assess the impact of variations in acreage bases for various crop years within these counties. Our sampling approach required reviewing the data for 562 farms in the 18 counties. We obtained production data on each farm for the 6-year period 1979 through 1984. Our approach permits us to project the impact that the bill would have had on acreage bases for the major crops in the 18 counties included in our review.

UNDER CURRENT LAW, BASE ACREAGES HAVE BECOME INFLATED

For 1982-85 crops, the 1981 act provided for the establishment of a separate acreage base for each program crop. Specifically, the 1981 act provided that the number of base acres for any farm would be the acreage planted to a program crop for harvest in the previous year or, at the discretion of the Secretary, the average acreage planted to the crop for harvest for the 2 previous years.

In implementing this provision for 1982, the first year of implementation, the Secretary decided that the higher of either the 1981 planted acres or the average of the 1980 and 1981 planted acres would be used to establish the acreage base for each program crop grown on the farm. For the 1983 crop, the Omnibus Budget Reconciliation Act of 1982 provided that the acreage bases should be the same as those established in 1982, except for adjustments to reflect such factors as crop-rotation practices.

For 1984, the Secretary provided that the acreage bases would be determined by averaging the 1982 and 1983 planted acres. However, unlike the programs administered in 1982 and 1983 the Secretary determined that acres "considered planted" would also be included in deriving the average number of acres planted in the previous 2 years. Under USDA regulations, acreage that a farmer was prevented from planting to a program crop as a result of a natural disaster, or acreage taken out of production to comply with any USDA acreage reduction program, would be "considered planted" for program purposes and included as part of the base acreage computation.

The following table shows the impact of the 1982, 1983, and 1984 programs on base acreage determinations for a hypothetical 600-acre farm.

Table 1

Base Acreage Determination for a 600-Acre Farm

Program Crop	Planted acres 1980	Planted acres 1981	Acreage base for program crops 1982 base[a]	1983 base[b]	1984 base[c]
Wheat	500	0	250	250	250
Sorghum	0	500	500	500	500
Subtotal	500	500	750	750	750
Other crops	100	100			
Total acres	600	600			

[a] Higher of 1981 or average of 1980 and 1981 planted acres.
[b] Same base as 1982.
[c] Average of 1982 and 1983 planted and considered planted acres.

Because of the method of determining acreage bases, inflated acreage bases as well as phantom acreage would have been established for this farm. Inflated acres exist because the total base acreages were increased by 250 acres--from 500 to 750. Phantom acres also exist because the crop acreage base exceeded the farm's total cropland by 150 acres.

Inflated bases also resulted in part because of the Secretary's definition of "considered planted" acres. Producers who have not planted a particular program crop but want to retain their acreage base for that crop, can certify that they have not planted the crop and are given full credit as if they had planted their acreage base for that year. This is done to take away the incentive to plant up to the maximum permitted for purposes of maintaining the established base.

Under the Secretary's definition, participating producers were given credit for planting their entire crop base even though they planted less or did not plant any acreage to that crop. For example, a producer who participated in the 1984 programs with a corn base of 100 acres was required to take 10 percent, or 10 acres, out of production leaving 90 acres available for planting. Under USDA program requirements if the producer elected to plant only 50 acres, USDA would give the producer full credit for the 100 acres in calculating the base acreage for this farm.

In the above example, the producer could plant these acres to another program crop in which he or she was not participating in USDA farm programs and increase the base acreage for the nonparticipating crop for the next year while still carrying forward the full crop acreage base for the participating crop to future years.

THE BILL WOULD HELP CORRECT INFLATED AND PHANTOM ACREAGE CONDITION

Under the bill (sec. 102 and 103), a farm acreage base and a crop acreage base would be established for each farm which grows at least one program crop. The farm acreage base would be the 5-year moving average of the total acreage planted and considered planted to all program crops grown on the farm. The crop acreage base would be the 5-year moving average of the acreage planted and considered planted to each program crop grown on the farm. The sum of the crop acreage bases may not exceed the farm acreage base, except where the excess is due to an established practice of double cropping.

The bill would help eliminate inflated acreage bases and phantom acres. However, specific language is needed in the bill (sec. 108) to clarify the term "considered planted" acres. For example, consideration should be given to not including farms that report zero planted acreage to a crop or that voluntarily reduce planted acres below program requirements. Currently, producers are given credit for acreage that he or she chose not to plant.

This, in turn, would be subsequently included in a producer's base acreage determination. Also, in the case of a disaster crop, consideration should be given to allowing credit only for the disaster crop or the crop planted in its place.

We found that if the bill had been in effect (with clarifying language for considered planted acres) for the 1983 and 1984 crops of wheat, feed grains, cotton, and rice, there would have been a reduction in the amount of base acres producers could use for program purposes. We estimate that for all farms in the 18 counties we reviewed, the USDA bases in 1983 would have been reduced by about 534,800 acres, or about 12.5 percent.

THE BILL WOULD REDUCE YIELDS FOR COTTON AND RICE

We also compared the yield formula contained in the bill (sec. 106) with the proven yield formula (determined on the basis of production records) used by USDA. Yields, like base acres, are used by USDA as a factor in determining the amount of program payments a participating farmer can receive.

For 1984, a comparison of USDA's proven yields with the yields computed using the criteria set out in the bill shows minor differences for wheat and feed grains and significant differences for cotton and rice. Overall, the yield formula contained in the bill improves on that now being used by USDA because it provides yield data that would be based entirely on actual production.

Under the bill, yields for all programs crops would be determined by using harvested yields for the most recent 5-year period with such adjustments as the Secretary may prescribe. Generally, the highest and lowest yields would be eliminated and the remaining 3 years' yields would be averaged to obtain the yield for the farm. In contra· · USDA determines a proven yield for wheat and feed grain producers by using planted yields for the most recent 5-year period. However, if any year's yield is less than 80 percent of the 5-year average, that year can be increased up to 80 percent of the 5-year average. A comparison of these two yield determination methods for 1984 wheat and feed grains results in very small differences.

For cotton and rice, USDA's yield determination method consists of computing an average yield for each producer using the highest yields for 4 of the last 5 years. If this average yield is higher than any of the yields for the most recent 3 years, this average yield is inserted in place of the lower yield(s). Once the yields for the most recent 3 years are adjusted (if necessary), an average is computed for this 3-year period which then becomes the producer's current-year yield for payment purposes. Yield determinations for cotton and rice result in significant differences, about 16 percent and 9 percent, respectively, from USDA yields if the formula in the bill is used.

THE BILL WOULD REDUCE PROGRAM PAYMENTS

We found that program payments to the 562 farms in our sample would have been less for both the 1983 and 1984 farm programs had the bill been in effect. However, there are two key assumptions that we used in making our estimates. First, we assumed the same farmer participation levels that existed in 1983 and in 1984 and, second, we assumed that commodity supply and demand, as well as the price of commodities, would have remained the same in 1983 and in 1984 had the bill been in effect.

We found that payments made to farmers for our 562 sample farms in 1983 would have been reduced by about $1.9 million, or 16 percent, had the bill been in place. For 1984, the only commodity for which payments were made for taking land out of production was wheat. Our estimates show that for the participating farms in our sample, payments would have been reduced by about $207,300, or about 8 percent.

INCLUDING OTHER CROPS IN THE BILL

As the bill (sec. 102 and 108) is now written, the farm acreage base would include program crops plus soybeans. As a result, producers who grow soybeans would have increased flexibility as their farm acreage base would be higher and they could adjust their individual crop acreage bases more than if soybeans were not included. For example, assume a producer with 300 acres has a wheat and corn crop acreage base of 100 acres each for a total base of 200 acres for these two program crops. In addition, this producer normally plants the program crops plus 100 acres of soybeans. The producer can increase or decrease the crop acreage base for any program crop up to a maximum of 20 percent of the farm acreage base in the first year and up to 10 percent each year thereafter. Accordingly, by including soybean acres in the farm acreage base, a producer's flexibility in choosing the amount of acreage to plant to a particular program crop will increase--in this example by 20 acres in the first year.

Whether soybeans or other crops should be included in this bill is a policy matter for the Congress to debate and decide. However, if soybeans are included, consideration might be given to including other commodities to provide increased flexibility for producers of those commodities.

OBTAINING YIELD DATA AS PROPOSED IN THE BILL MAY PROVE DIFFICULT

The bill proposes a yield determination system which uses actual production evidence as the basis for assigning yields to farms. However, we have some observations you may wish to consider on the difficulty of implementing such a system for all crops.

The yield formula in the bill (sec. 106) uses harvested acres as the basis for determining annual program yields. Consideration should be given to using planted acres for harvest instead of harvested acres since (1) farm program payments are made on the basis of planted acres for harvest and (2) farmers currently report planted acres to USDA.

Further, for determining the yield for program payment purposes, the bill prescribes a procedure of averaging the actual annual yields per harvested acre determined for each of 3 years. Instead of using a simple average for determining average annual yields, consideration should be given to using a weighted average calculation which takes into account the total number of acres planted for harvest in determining program yields.

During our review, we obtained comments from Agricultural Stabilization and Conservation Service (ASCS) state and county officials on the difficulties of moving to the system of yields proposed by the bill. They told us that such a system would be time consuming and costly and may not provide any better yield data than are now obtained. Their rationale was that under current procedures, county ASCS offices can only accept as proof of production,(1) certain warehouse documents, (2) storage bin measurements made by ASCS personnel, or (3) field appraisals by ASCS personnel. They further said that, because few wheat and feed grain producers now prove their yields, going to a system of all proven yields would greatly increase the workloads and that full-time staff could increase by as much as one to four people in each county. Another problem pointed out by ASCS officials was the inherent difficulties in verifying that producers do not comingle crops from different years or different farms.

DOUBLE CROPPING PRACTICES

As requested, we obtained information on USDA's procedures for double cropping practices. USDA currently defines double cropping as the practice of planting and harvesting two different crops from the same acreage in the same crop year. This includes situations where the first crop is destroyed after the crop's normal planting season but before harvest, and another crop is planted and harvested. According to USDA officials, each of the crops being double cropped stands alone and the acreage reduction requirements that might apply are treated just as if the crops had been planted on different acreages.

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That concludes our statement. We will be glad to respond to any questions.

REPORT BY THE U.S.

General Accounting Office

Analysis Of Certain Aspects Of The Proposed Agricultural Efficiency And Equity Act Of 1985

The proposed Agricultural Efficiency and Equity Act of 1985 would change the manner in which the Department of Agriculture determines the amount of acreage and yields assigned to producers of wheat, feed grains, cotton, and rice under various farm programs. This report responds to questions raised by several Congressmen on the potential impact of the bill had it been in effect for prior years' programs.

GAO/RCED-85-118
APRIL 24, 1985

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

B-217740

The Honorable Berkley Bedell
The Honorable Ron Marlenee
The Honorable Pat Roberts
The Honorable Charles Stenholm
House of Representatives

On April 5, 1984, you requested that we review several aspects of a proposed bill entitled the Agricultural Efficiency and Equity Act of 1983 (H.R. 4565). A similar bill, which has been reintroduced as H.R. 1912 in this Congress, would change the manner in which the Department of Agriculture (USDA) determines the acreage bases and yields assigned to producers under various farm programs. Acreage bases and program yields are two tools used by USDA in administering farm programs for producers of program crops--wheat, feed grains (barley, oats, corn, and grain sorghum), cotton, and rice. Base acreage and program yield determinations are key components in USDA's formula for computing the amount of payment producers receive for participating in farm programs. Essentially, base acres are the amount of land USDA recognizes that a producer historically plants to program crops. The yield is the production capacity USDA associates with a particular farm.

In requesting our analysis, your main concern was that USDA's administration of the Agriculture and Food Act of 1981 (the 1981 act) resulted in "inflated base acreage"--a condition in which a farm's base acreage has increased above the farm's usual planted acres, as well as "phantom acres"--a condition in which a farm's total base acreage exceeds the farm's total actual cropland.

In view of these concerns, you requested that we (1) identify the provisions of the 1981 act and its administration that have resulted in inflated and phantom acreage, (2) determine the extent to which the bill addresses this problem, and (3) determine what the acreage bases, program yields, and program payments would have been if the bill had been in effect instead of the 1981 farm act. In addition, you wanted our views on whether other commodities besides the program crops should be included in the bill, and of the yield formula contained in the bill. Finally, you asked us to describe USDA's procedures covering double cropping--in which a producer plants two crops on the same acreage in the same year.

In summary, the 1981 act gives the Secretary of Agriculture discretion in establishing acreage bases for individual program crops. The Secretary's 1982 decision to establish base acreages by giving producers the highest base possible for each crop as permitted by the 1981 act has resulted in inflated acreage bases as well as phantom acres. The impact of this decision was carried forward in the 1983 and 1984 programs. The bill, with some revisions, would limit the acreage bases to reflect planted acres as well as revise the yield formula to reflect actual production and thus help eliminate phantom acres and inflated acreage bases, lower program yields, and reduce program payments.

For instance, if the bill had been in effect in 1983, the number of base acres in the 18 counties included in our review would have been reduced by about 534,800 acres, or about 12.5 percent. Regarding yields, we found that the bill would have had a limited impact on wheat and feed grains and a significant impact on cotton and rice. For example, the bill would have decreased 1984 yields by as much as 16 percent for cotton and about 9 percent for rice. Using the base acreage and yield determination procedures in the bill, we estimate that 1983 program payments for the 562 farms we reviewed would have been reduced by 16 percent, or $1.9 million. We caution, however, that this estimate assumes that farm program participation would have stayed the same under the bill and that supply, demand, and pricing of commodities would also have remained the same.

A more detailed discussion of these findings, as well as our responses to your other concerns, is included in appendix I. The appendix also provides general background information on USDA's farm programs, including the roles of acreage bases and program yields.

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To respond to your questions, we visited 18 counties in six states. We obtained program participation data on wheat and feed grains in Kansas, Iowa, Minnesota, and Nebraska and on cotton and rice in Arkansas and Texas. At these states, we reviewed data for 562 farms representing a cross-section of farm sizes. This approach permits us to project the impact that the bill would have on acreage bases for the major crops in the 18 counties included in our review. We also discussed each aspect of the bill with USDA officials in Washington and in the state and county offices we visited. A detailed explanation of our objectives, scope, and methodology is included in appendix I.

We discussed the report's contents with the Director of USDA's Cotton, Grain, and Rice Support Division, who provided clarifying language which was incorporated in the report. We did not request the Department of Agriculture to review and comment officially on a draft of this report.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Agriculture; various Senate and House committees; Members of Congress; and other interested parties.

J. Dexter Peach
Director

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ABBREVIATIONS

ASCS	Agricultural Stabilization and Conservation Service
GAO	General Accounting Office
OIG	Office of Inspector General
USDA	Department of Agriculture

ANALYSIS OF CERTAIN ASPECTS OF THE PROPOSED AGRICULTURAL EFFICIENCY AND EQUITY ACT OF 1985

FARM PROGRAM DESCRIPTION

Under the Commodity Credit Corporation Charter Act (15 U.S.C. 714), the U.S. Department of Agriculture (USDA) administers various farm price support programs to stabilize agricultural commodity markets and to control agricultural surpluses. These programs, which are administered through the Agricultural Stabilization and Conservation Service (ASCS), provide for commodity loans and purchases as well as price support and production adjustment payments to farmers. The system of production controls and the associated income and price-support programs are commonly referred to as farm programs. Participation in farm programs is voluntary and is available to producers of program crops--wheat, feed grains (barley, corn, grain sorghum, and oats), rice, and cotton. However, only producers that participate are eligible for the income and price supports offered by USDA.

The Agriculture and Food Act of 1981 (Public Law 97-98, 95 Stat. 1213) authorizes acreage reduction programs for the 1982-85 crops of wheat, feed grains, cotton, and rice. These programs permit USDA some control over production by requiring participating producers to take a certain percent of their cropland out of production in time of surpluses. For each of these commodities, the Secretary of Agriculture provides for an acreage reduction program if the Secretary determines that the total supply of the commodity will, in the absence of such a program, likely be excessive. In making the determination, the Secretary is to take into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency.

Under farm programs, USDA establishes for each participating producer an acreage base and program yield. An acreage base is the amount of land USDA recognizes that a producer has historically planted to a program crop. A program yield is the production capacity associated with a particular farm. Combined, these are two of the key components of the formula USDA uses to make payments under its programs.

Because of the way the 1981 farm bill has been administered, phenomena called "inflated bases" and "phantom acreage" have occurred. Inflated bases is a condition in which a farm's base acreage has increased above the farm's usual planted acres. Phantom acreage is a condition in which a farm's total base acreage exceeds the total amount of cropland on a farm.

This bill changes the current system for determining acreage bases and program yields and puts the changes into permanent law, rather than 4-year authorizing legislation as is now the case. The overall purpose of the bill is to improve the management of farm programs by revising the methods used by USDA to administer them. The bill is significant in that it calls for modifications to the way USDA determines the farm acreage bases and program yields for a particular producer. It also will have a significant impact on the payments USDA makes to producers participating in its programs.

OBJECTIVES, SCOPE, AND METHODOLOGY

This report discusses ASCS' current system of acreage bases and program yields and provides information on how H.R. 1912--the Agricultural Efficiency and Equity Act of 1985--would reform them. A similar version of this bill was orginally introduced as the Agricultural Efficiency and Equity Act of 1983 in the previous Congress. At that time, we were requested to do this analysis. In response to the request, our objectives were to determine (1) what provisions of the Agriculture and Food Act of 1981 and its administration have made it possible to have inflated bases as well as phantom acreage, (2) whether the bill effectively addresses this problem, and (3) what the acreage bases, program yield and program payments would have been if the bill had been in effect instead of the 1981 farm act. In addition, we reviewed whether other commodities besides the program crops should be included in the bill, and the yield formula contained in the bill. Finally, we determined the current USDA procedures covering double cropping--in which a farmer plants two crops on the same acreage in the same year.

We made this review in accordance with generally accepted government auditing standards. We did our audit work from May 1984 through December 1984 at ASCS' headquarters in Washington, D.C., at the ASCS commodity office in Kansas City, at six ASCS state offices, and at 18 ASCS county offices. (See app. II.) At these places, we interviewed ASCS officials and obtained information on the current base acreage and program yield system. We obtained and reviewed applicable legislation, implementing regulations, and pertinent ASCS policies and procedures. We also coordinated our work with USDA's Office of Inspector General (OIG) and reviewed its applicable reports.

We obtained program participation information on feed grains and wheat in Kansas, Iowa, Minnesota, and Nebraska and on cotton and rice in Texas and Arkansas. We selected these states because they account for about 43 percent of USDA's wheat and feed grain payments and about 51 percent of USDA's rice and cotton payments from October 1, 1982, through March 31, 1984.

We used a statistical sampling approach to assess the impact of variations in acreage bases and program yields for various crop years within the review counties. Our sampling approach required reviewing the data for 562 farms in 18 counties. The sample size was established on the basis of the total number of farms from each county. Generally, the higher the cropland acres in the county, the larger the sample size. The farms selected represent a cross section of farm sizes to include large and small farms.

This approach permitted us to project the impact that the bill would have had on acreage bases for the major crops in the 18 counties included in our review had the bill been in effect.

We obtained production data on each farm for a 6-year period, 1979 through 1984. This was the latest available data at the time of our review. To determine the cost of the 1983 and 1984 programs (assuming the bill was in effect), we used the prescribed payment rates set by USDA for its various programs.

We discussed the report's contents with the Director of USDA's Cotton, Grain, and Rice Support Division, who provided clarifying language, which was incorporated in the report. We did not request the Department of Agriculture to review and comment officially on a draft of this report.

UNDER CURRENT LAW, BASE ACREAGES HAVE BECOME INFLATED

For the 1982-85 crops, the 1981 act provided for the establishment of a separate acreage base for each program crop. Specifically, the 1981 act provided that the number of base acres for any farm would be the acreage planted to a program crop for harvest in the previous year or, at the discretion of the Secretary, the average acreage planted to the crop for harvest for the 2 previous years. In implementing this provision for 1982, the first year of implementation, the Secretary decided that the higher of either the 1981 planted acres or the average of the 1980 and 1981 planted acres would be used to establish the acreage base for each program crop grown on the farm. For the 1983 crop, the Omnibus Budget Reconciliation Act of 1982 provided that the acreage base should be the same as those established in 1982, except for adjustments to reflect such factors as crop-rotation practices. For 1984 the Secretary provided that the acreage bases would be determined by averaging the 1982 and 1983 planted acres. However, unlike the programs administered in 1982 and 1983, the Secretary determined that "considered" planted acres would also be included in deriving the average number of acres planted in the previous 2 years. Under USDA regulations, acreage that a farmer was prevented from planting to a program crop as a result of a natural disaster or acreage taken out of production to comply with any USDA acreage reduction program would be "considered planted" for program purposes and included as part of the base acreage computation.

The following table shows the impact of the 1982, 1983, and 1984 programs on base acreage determinations for a hypothetical 600-acre farm.

Table 1

Base Acreage Determination for a 600-Acre Farm

Program crop	Planted acres 1980	Planted acres 1981	Acreage base for program crops 1982 base[a]	1983 base[b]	1984 base[c]
Wheat	500	0	250	250	250
Sorghum	0	500	500	500	500
Total	500	500	750	750	750
Other crops	100	100			
Total acres	600	600			

[a] Higher of 1981 or average of 1980 and 1981 planted acres.
[b] Same base as 1982.
[c] Average of 1982 and 1983 planted and considered planted acres.

Because of the method of determining acreage bases, inflated acreage bases as well as phantom acres would have been established for this farm. Inflated acres exist because the total base acreages were increased by 250 acres--from 500 to 750. Phantom acres also exist because the crop acreage base exceeded the farm's total cropland by 150 acres.

Inflated bases also resulted in part because of the Secretary's definition of "considered planted" acres. Producers who have not planted a particular program crop but want to retain their acreage base for that crop, can certify that they have not planted the crop and are given full credit as if they had planted their acreage base for that year. This is done to take away the incentive to plant up to the maximum permitted for purposes of maintaining the established base.

Under the Secretary's definition, some producers were given credit for planting their entire crop base even though they planted less or did not plant any acreage to that crop. For example, a producer who participated in the 1984 programs with a corn base of 100 acres was required to take 10 percent, or 10 acres, out of production, leaving 90 acres available for planting. Under USDA program requirements, if the producer elected to plant only 50 acres, USDA would give the producer full credit for the 100 acres in calculating the base acreage for this farm.

In the above example, the producer could plant these acres to another program crop in which they were not participating in USDA farm programs and increase their base acreage for the nonparticipating crop for the next year while still carrying forward the full crop acreage base for the participating crop to future years.

THE BILL WOULD HELP CORRECT INFLATED AND PHANTOM ACREAGE CONDITION

Under the bill, a farm acreage base and a crop acreage base would be established for each farm that grows at least one program crop. The farm acreage base would be the 5-year moving average of the total acreage planted and considered planted to all program crops on the farm. The crop acreage base would be the 5-year moving average of the acreage planted and considered planted to each program crop grown on the farm. The sum of the crop acreage bases may not exceed the farm acreage base, except where the excess is due to an established practice of double cropping.

The bill would help eliminate inflated acreage bases and phantom acres. However, specific language is needed in the bill to clarify the term "considered planted" acres. For example, consideration should be given to not including farms that report zero planted acreage to a crop or that voluntarily reduce planted acres below program requirements. Currently, producers are given credit for acreage that he or she chose not to plant. This, in turn, would subsequently be included in a producer's base acreage determination. Also, in the case of a disaster crop, consideration should be given to allowing credit only for the disaster crop or the crop planted in its place.

We found that if the bill had been in effect (with clarifying language for considered planted acres) for the 1983 and 1984 crops of wheat, feed grains, cotton, and rice, there would have been a reduction in the amount of base acres producers could use for program purposes.

As the following table shows, applying the provisions of the bill to our 562 sample farms in 1984 would have decreased acreage bases about 29,000 acres, or about 14 percent.

Table 2

Comparison of USDA-Established Bases for Sample Farms With the Bill's Method of Computing Base Acres

Crop year	Program crops Wheat	Feed grains	Cotton	Rice	Total
	----------	----------	(acres)	----------	----------
1983:					
USDA bases	89,281.6	81,503.8	16,861.2	12,048.8	199,695.4
Bill bases[a]	78,687.4	69,009.0	15,824.9	10,131.7	173,652.9
Difference	10,594.2	12,494.9	1,036.3	1,917.1	26,042.5
Percent	11.9	15.3	6.1	15.9	13.0
1984:					
USDA bases	92,883.4	85,533.1	16,856.3	12,239.9	207,532.7
Bill bases	80,564.0	71,472.6	15,860.5	10,453.1	178,350.2
Difference	12,319.4	14,080.5	995.8	1,786.8	29,182.5
Percent	13.3	16.5	5.9	14.6	14.1

[a] For 1983 we used a 4-year average (1979-82) instead of a 5-year average as called for by the bill because program data were generally not available for 1978.

Note: Figures do not always add because of rounding.

Further, we estimate that for all farms in the 18 counties we reviewed, the USDA bases in 1983 would have been reduced by about 534,800 acres, or about 12.5 percent, had the bill been in effect.

THE BILL WOULD REDUCE YIELDS FOR COTTON AND RICE

We also compared the yield formula contained in the bill with the proven yield formula (determined on the basis of production records) used by USDA. Yields, like base acres, are used by USDA as a factor in determining the amount of program payments a participating farmer can receive.

For 1984 a comparison of USDA's proven yields with the yields computed using the criteria set out in the bill shows minor differences for wheat and feed grains and significant differences for cotton and rice. The results of our comparison are shown in the following table.

Table 3

Comparison of 1984 USDA Proven Yields for Sample Farms With Yields Established Under the Bill

Commodity	No. of farms[a]	1984 yields Per ASCS	1984 yields Per bill	Difference	Percent
Wheat (bu.)	73	43.0	42.9	0.1	0.2
Corn (bu.)	63	131.2	132.7	-1.5	-1.1
Sorghum (bu.)	25	81.5	77.9	3.6	4.4
Barley (bu.)	21	73.1	73.0	0.1	.1
Cotton (lbs.)	76	380.8	320.1	60.7	15.9
Rice (lbs.)	51	4,416.0	4,029.2	386.8	8.8

[a] All farms did not prove yields.

Under the bill, yields for all program crops would be determined by using harvested yields for the most recent 5-year period with such adjustments as the Secretary may prescribe. Generally, the highest and lowest yields would be eliminated and the remaining 3 years' yields would be averaged to obtain the yield for the farm. In contrast, USDA determines a proven yield for wheat and feed grain producers by using planted yields for the most recent 5-year period. However, if any year's yield is less than 80 percent of the 5-year average, that year can be increased up to 80 percent of the 5-year average. As table 3 shows, a comparison of these two yield determination methods (using planted yields) for 1984 wheat and feed grains results in very few differences.

For cotton and rice, USDA's yield determination method consists of computing an average yield for each producer using the highest yields for 4 of the last 5 years. If this average yield is higher than any of the yields for the most recent 3 years, this average yield is inserted in place of the lower yield(s). Once the yields for the most recent 3 years are adjusted (if necessary), an average is computed for this 3-year period, which then becomes the producer's current year yield for payment purposes. As table 3 shows, yield determinations for cotton and rice result in significant differences--16 percent and 9 percent, respectively--from USDA yields if the formula in the bill is used.

Overall, the yield formula contained in the bill improves on that now being used by USDA because it provides yield data that would be based entirely on actual production. However, as discussed on page 10, the formula contained in the bill may be more difficult to administer.

THE BILL WOULD REDUCE PROGRAM PAYMENTS

We found that program payments to the 562 farms in our sample would have been less for both the 1983 and 1984 farm programs had the bill been in effect. However, we want to point out two key assumptions that we used in making our estimates. First, we assumed the same farmer participation levels that existed in 1983 and in 1984 and, second, we assumed that commodity supply and demand, as well as the price of commodities, would have remained the same in 1983 and in 1984 had the bill been in effect.

As the following table shows, we found that payments made to farmers for our 562 sample farms in 1983 would have been reduced by about $1.9 million, or 16 percent, had the bill been in place.

Table 4

Comparison of 1983 USDA Program Costs for Our 562 Sample Farms With Program Costs Estimated Under the Bill

Crop	No of counties	No. of farms[a]	1983 program costs		Differences	Percent reduction using bill
			Actual	Per bill		
Wheat	12	232	$ 4,038,100	$3,565,500	$ 472,600	11.7
Corn	9	185	4,097,800	3,527,400	570,400	13.9
Sorghum	7	75	466,800	341,000	125,900	27.0
Barley	2	51	239,600	196,400	43,200	18.0
Rice	2	51	1,726,000	1,356,400	369,700	21.4
Cotton	3	67	1,280,400	966,000	314,400	24.6
Total[b]			$11,848,700	$9,952,600	$1,896,100	16.0

[a] In some cases, farms had more than one participating crop.
[b] Figures do not always add due to rounding.

Note: The data obtained from our statistical sample of 562 farms is unweighted. This data should not be used to project to a larger universe than the farms actually included in our sample. Due to our small sample size we could not project with a high degree of confidence to all the farms in the counties reviewed.

For 1984, the only commodity for which payments were made for taking land out of production was wheat. Accordingly, we estimated cost differences for that commodity. Our estimates show that for our sample farms, 1984 program payments would have been reduced by about $207,300, or about 8 percent, had the bill been in effect.

INCLUDING OTHER CROPS IN THE BILL

As the bill is now written, the farm acreage base would include program crops, plus soybeans. As a result, producers who grow soybeans would have increased flexibility as their farm acreage base would be higher and they could adjust their individual crop acreage bases more than if soybeans were not included.

Whether soybeans or other crops should be included in the bill is a policy matter for the Congress to debate and decide. However, if soybeans are included, as now proposed, consideration might be given to including other commodities to provide increased flexibility to producers of those commodities.

Including additional crops, other than program crops, would affect other aspects of farm management by increasing the producer's flexibility in planting crops and increasing the adjustments the producer can make in individual program crop acreage bases. Under the bill's provisions, a producer could adjust the acreage he or she plants to individual program crops by a maximum 20 percent the first year of implementation and 10 percent of the farm's acreage base each year thereafter.

For example, assume a producer with 400 acres has a wheat and a corn crop acreage base of 100 acres each, for a total base of 200 acres for these two program crops. In addition, this producer normally plants the program crops plus 100 acres of soybeans and 100 acres of sunflowers. This producer's farm acreage base as well as the flexibility to adjust the program crop plantings would vary depending on the number of crops included.

	Acreage base		
Crops	Crop acreage bases only	Crop acreage bases including soybeans	Crop acreage bases including all crops
	(acres)		
Wheat	100	100	100
Corn	100	100	100
Soybeans	-	100	100
Sunflowers	-	-	100
Total farm acreage base	200	300	400
Flexibility (20 percent of farm acreage base)	40	60	80

The flexibility a farmer may use in this situation is that the crop acreage base for any program crop may increase or decrease up to a maximum of 20 percent of the farm acreage base in the first year and up to 10 percent each year thereafter. Accordingly, by including additional crops and acres in the farm acreage base, a producer can increase flexibility in choosing the amount of acreage to plant to a particular program crop. For the first year, the farmer could increase plantings for corn by 40 acres to 140 acres when only program crops are used for determining the farm acreage base and by 80 acres to 180 acres when all crops are used to determine the farm acreage base. However, it should be noted that any adjustments to individual program crops do not change the farm acreage base, so that if the acres planted to one program crop were increased, the acres planted to another program crop would have to be reduced by a like amount.

OBTAINING YIELD DATA AS PROPOSED IN THE BILL MAY PROVE DIFFICULT

The bill proposes a yield determination system that uses actual production evidence as the basis for assigning yields to farms. However, we have some observations that the Congress could consider on the difficulty of implementing such a system for all crops.

The yield formula in the bill uses harvested acres as the basis for determining annual program yields. Consideration should be given to using planted acres for harvest instead of harvested acres since (1) farm program payments are made on the basis of planted acres for harvest and (2) farmers currently report planted acres to USDA.

Further, for determining the yield for program payment purposes, the bill prescribes a procedure of averaging the actual annual yields per harvested acre determined for each of 3 years. Instead of using a simple average for determining average annual yields, consideration should be given to using a weighted average calculation that takes into account the total number of acres planted for harvest in determining program yields.

ASCS state and county officials told us that such a system would be time-consuming and costly and may not provide any better yield data than are now obtained. They said that, under current procedures, county ASCS offices can only accept as proof of production (1) certain warehouse documents, (2) storage bin measurements made by ASCS personnel, or (3) field appraisals by ASCS personnel. They further said that, because few wheat and feed grain producers now prove their yields, going to a system of all proven yields would greatly increase the workloads and that full-time staff could increase by as much as one to four people in each county. Another problem pointed out to us by ASCS officials was the inherent difficulties in verifying that producers do not comingle crops from different years or different farms.

DOUBLE CROPPING PRACTICES

As requested, we obtained information on USDA's procedures for double cropping practices. USDA currently defines double cropping as the practice of planting and harvesting two different crops from the same acreage in the same crop year. This includes situations where the first crop is destroyed after the crop's normal planting season but before harvest and another crop is planted and harvested. According to USDA officials, each of the crops being doublecropped stands alone and the acreage reduction requirements that might apply are treated just as if the crops had been planted on different acreages.

STATES AND COUNTIES SELECTED FOR REVIEW

State	County	Farms reviewed
Arkansas	Desha	25
	Jackson	35
Iowa	Butler	22
	Calhoun	31
	Howard	18
	Kossuth	41
Kansas	Ford	40
	Franklin	13
	Smith	25
	Sumner	42
Minnesota	Freeborn	28
	Martin	31
	Norman	35
	Renville	41
	West Polk	52
Nebraska	Seward	22
Texas	Crosby	36
	Ellis	25
		562

SUMMARY OF THE AGRICULTURAL EFFICIENCY AND EQUITY ACT

April 24, 1985

SECTION ITEM

102 Farm Acreage Base

A Farm Acreage Base (FAB) will be established for all farms on which at least one program crop (wheat, feed grains, upland cotton or rice) was grown during at least one of the crop years 1981-1985. The FAB will first be established for the 1986 crop.

The FAB will equal a rolling five-year average of the total acreage planted (and considered planted) to all program crops on the farm.

In establishing the 1986 FAB, the county ASCS committee may construct a planting history in cases where records are incomplete or unavailable, or where there was one or more year in which no program crop was produced.

Crop Acreage Base

103 A Crop Acreage Base (CAB) will be established for each program crop produced on a farm. The sum of the CABs may not exceed the farm's FAB, except where the excess is due to an established practice of double cropping.

The CAB will equal a rolling five-year average of the total acreage planted (and considered planted) to the program crop in question.

CAB Adjustment

104 A producer may increase or decrease the CAB for any program crop by submitting notice to the county ASCS committee. The maximum amount of acreage which may be so adjusted is 10 percent of the FAB, except that a 20 percent adjustment will be allowed in 1986 only.

Such adjustments do not change the FAB for a particular year, so that if one CAB were increased, another CAB would have to be decreased by a like amount.

Producers must notify county committees of CAB adjustments 60 days prior to either (1) the program announcement date for the crop then specified in law, or (2) the present announcement date for that crop, whichever is earlier.

SECTION ITEM

105 Eligibility for Price Support and Other Benefits

Only cooperators are eligible for loans, purchases or payments on program crops. A cooperator in any crop year is a producer who has established an FAB and CABs, and who limits his plantings of the crop for which he seeks benefits to the CAB for that crop. The Secretary has discretion to require that the producer also comply with CABs for other crops and with the FAB. Any planting limitation can be waived for short supply or market reasons.

This section would not normally be in effect. It would be suspended and replaced with provisions of a four-year farm bill under normal circumstances, just as now happens to allotments, quotas, etc. This section is a "backup" in case Congress failed to pass a farm bill, since Title II of this bill repeals the allotments and quotas which now constitute a permanent-law "backup."

106 Program Yield

A Program Yield will be established for each program crop produced on a farm. The program yield will equal a five-year rolling average of actual yields per harvested acre for the farm's production of that crop, but the high and low yields will be dropped from the calculation. Years in which the crop was not planted will be disregarded.

The program yield may not increase more than 50 percent or decrease more than 10 percent from the year before. The 1986 program yield will not be less than the 1985 program yield, as calculated under the 1981 Farm Bill.

County committees may adjust program yields if warranted by a significant change in farming practices or by natural disaster. Program yields may be assigned to farms where actual records are unavailable, on the basis of similar nearby farms.

107 Responsibilities of County Committees

County committees are required to maintain FAB and CAB records for the 1986 and subsequent crops. Producers who wish to be considered cooperators will submit acreage records annually. The committee will adjust FABs and CABs annually and notify producers of their bases. Similar duties are prescribed for the county committee with respect to program yields.

County committees may allow a producer to plant a substitute crop without penalty on acreage where the normal crop could

SECTION	ITEM
107 (Cont.)	**Responsibilities of County Committees** **(Cont.)**

not be planted, or was destroyed after planting, by a natural disaster. For purposes of base determination, this acreage will be considered planted to the originally intended crop.

County committees may establish an FAB and CABs for farms where these bases cannot be established otherwise, as in the case of new land purchased by a beginning farmer. The Secretary is required to issue regulations to provide for a fair and equitable procedure in these situations.

The Secretary is also required to establish an appeal procedure whereby any decision under this bill can be reviewed.

108 **Definitions; Special Rules**

"Planted acreage" for purposes of determining FABs and CABs includes land set aside under supply management programs, unless that land was planted to soybeans.

"Planted acreage" for purposes of determining FABs also includes (1) land devoted to a conserving use in the normal course of farming; (2) land that could not be planted or harvested because of natural disaster; and (3) land planted to soybeans.

However, soybean plantings which caused the producer to exceed his FAB would not be considered planted and thus would not be incorporated into the FAB in future years. This does not limit the production of soybeans in any way; its only application is to the maximum amount of land that can be planted to other crops.

201-206 **Price Support Levels for Program Crops and Reconciliation With Permanent Law**

Permanent agricultural laws, primarily the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949, are modified by repealing those provisions which deal with acreage and production limitations (allotments, quotas, etc.). They are replaced by the system of FABs and CABs in this bill.

Provisions of permanent law dealing with price support are not repealed.

Acreage and production limitations are repealed only for wheat, feed grains and upland cotton. (Rice allotments were repealed in 1981.)

QUESTIONS AND ANSWERS ON

THE AGRICULTURAL EFFICIENCY AND EQUITY ACT

April 24, 1985

Q. TO WHAT CROPS DOES THE BILL APPLY?

A. Primarily the "program crops," wheat, feed grains, upland cotton and rice. Soybeans are counted in planted acreage for some purposes, as is land in a conserving use, but there is no base assigned to soybeans. Such crops as peanuts and tobacco are not affected.

Q. WHAT IS THE FARM ACREAGE BASE?

A. A rolling five-year average of acres planted and considered planted to the program crops on a particular farm. The FAB is thus an overall cropland base.

Q. WHICH FARMS ARE ASSIGNED A FARM ACREAGE BASE?

A. All farms on which at least one program crop was produced in at least one of the crop years 1981-1985.

Q. IN WHAT YEAR WOULD FAB'S FIRST BE ASSIGNED?

A. In the 1986 crop year.

Q. WHEN 1986 FAB'S ARE ASSIGNED, WHAT WILL HAPPEN IF RECORDS FOR A FARM ARE UNAVAILABLE, OR IF THERE WERE SOME YEARS IN THE 1981-85 PERIOD WHEN NO PROGRAM CROP WAS PRODUCED ON THE FARM?

A. County ASCS committees will have discretion to construct planting histories for such farms, so as to assign an equitable FAB.

Q. WHAT IF THE SAME CIRCUMSTANCES CAME UP IN LATER YEARS, OR IF A BEGINNING FARMER WISHED TO CULTIVATE LAND THAT DID NOT HAVE A FARM ACREAGE BASE?

A. Again, county committees could assign FABs in such cases, in accord with regulations which the Secretary will issue.

Q. WHAT IS THE CROP ACREAGE BASE?

A. A rolling five-year average of acres planted and considered planted to a particular crop on a farm. Adding the CABs, plus any other acreage considered planted, would normally yield the FAB.

Q. IS A CAB ESTABLISHED FOR ANY CROPS OTHER THAN THE PROGRAM CROPS?

A. No.

Q. UNDER WHAT CIRCUMSTANCES COULD THE SUM OF CAB'S EXCEED THE FAB?

A. Only where the excess was due to an established practice of double cropping. The practical effect of this provision is to recognize double cropping as an established practice and allow producers to double crop and still take part in farm programs.

Q. DOES THE BILL, THEN, ASSUME THAT SOME TYPE OF FEDERAL FARM PROGRAMS WILL BE IN EFFECT IN 1986 AND FUTURE YEARS?

A. Though it is likely that Congress will enact some type of farm legislation to replace the 1981 Farm Bill, the base and yield system in this bill would be useful as a means of monitoring the nation's crop production even in the absence of price supports or production controls.

Q. CAN A PRODUCER CHANGE THE CAB FOR A CROP OR CROPS ONCE IT IS ESTABLISHED?

A. Yes. A CAB can be increased or decreased by notifying the county committee at least 60 days before any required program announcement date for the crop in question.

Q. IN CHANGING HIS CAB'S, MAY THE PRODUCER MAKE A CHANGE THAT WOULD LEAD TO OVERPLANTING HIS FAB?

A. No. The flexibility provided to change CAB's does not affect the FAB. Thus, if a producer increased his wheat base, he would decrease another crop base.

Q. IS THERE A LIMIT ON THE AMOUNT OF PERMITTED CHANGE IN CAB?

A. Yes. The maximum amount by which a CAB may be increased (and, conversely, by which another CAB must be decreased) is 10 percent of the FAB, except for 1986, when the maximum allowed is 20 percent.

Q. WHY IS A HIGHER LIMIT ALLOWED FOR THE 1986 CROP?

A. Since one aim of the bill is to ensure an equitable assignment of bases, the greater latitude provided to producers as the program begins will give them a chance to correct any inequities in their present set of bases.

Q. WHY MUST THE PRODUCER NOTIFY HIS COUNTY COMMITTEE IN ADVANCE OF THE ANNOUNCEMENT OF THAT YEAR'S PROGRAM?

A. USDA would need this information in order to project crop production for that year and thus implement, if necessary, some form of supply management. If producers were allowed to change their CABs after the program was announced, and still receive program benefits, then farmers would be making their planting decisions on the basis of government programs rather than market signals or wise conservation practices. In addition, USDA's program would become much less effective in achieving its goals.

Q. BUT IS NOT THE 60-DAY REQUIREMENT INCONSISTENT WITH THE CONCEPT OF FLEXIBILITY? HOW CAN THE FARMER MAKE HIS DECISIONS THAT FAR IN ADVANCE?

A. First, even with the advance notice required, farmers will have considerably more flexibility under this bill than they have at present. Under current policy, a farmer's base is determined by planting decisions he makes with respect to the two previous years' crops -- no adjustment at the producer's discretion is allowed.

Second, under this program, farmers would have the same flexibility to plant "outside the program" that they have now. If, after changing his base, the farmer were not satisfied with the program announced by the government, he could choose to forgo program benefits that year and plant whatever he wished.

Q. WHAT PENALTY IS ATTACHED TO A VIOLATION OF ANY OF THESE BASE PLANTING REQUIREMENTS?

A. The producer would become ineligible for federal price and income supports. This provision is set forth in section 105 of the bill. However, this section would be regularly superseded by four-year farm bills, and these could change the penalties in any of a number of ways -- either by tightening them (e.g., by requiring cross compliance or even mandatory controls) or loosening them (e.g., by prohibiting cross compliance).

These questions should be answered in the debate over the 1985 Farm Bill, not through this legislation. Therefore, although section 105 provides a tie-in to price support law in the event no farm bill is passed in 1985, this section is clearly intended to be inoperative -- a "dead letter" -- under normal circumstances.

Q. WHY IS IT NECESSARY FOR THE BILL TO CONCERN ITSELF WITH PRICE SUPPORT AT ALL?

A. The bill puts the system of FABs and CABs into permanent law, taking the place of the present system of allotments and quotas (also contained in permanent law but routinely suspended by four-year farm bills). To do this, Title II of the bill repeals these older forms of supply control as they affect the program crops. But provisions of permanent law which mandate high, parity-based price supports (also routinely suspended) are left intact. If there were no connection between compliance with FAB/CAB planting limits, and if at some point Congress failed to pass a farm bill, then the consequent reversion to permanent law would mean that USDA would have to support prices at very high levels but could not restrain production because there would be no authority to enforce the planting limitations implicit in the base system.

The more likely case, of course, is that a farm bill will be passed. Then section 105 would probably be suspended and replaced with whatever system of price and income supports and production controls Congress felt appropriate for that farm bill cycle.

Q. DOES SEC. 105, TO THE EXTENT IT MIGHT BE IN EFFECT, REQUIRE A PRODUCER TO LIMIT HIS PLANTINGS OF A PARTICULAR CROP TO HIS ADJUSTED CAB IF HE WANTS PRICE SUPPORT?

A. Yes. This, of course, is identical to current practice.

Q. TO WHAT EXTENT WOULD SEC. 105, IF IN EFFECT, REQUIRE CROSS COMPLIANCE?

A. The Secretary is provided three options: He may enforce cross compliance -- that is, require a producer to comply with his FAB and CAB limits for all crops if he wants price support. He may also suspend cross compliance, and indeed any planting limitation, if he determines that short supplies or market factors make it necessary. Finally, he may suspend cross compliance purely as a policy decision, without reference to short supply or other reasons.

Q. DOES THIS NOT LEAVE THE QUESTION UNANSWERED WHETHER CROSS COMPLIANCE OUGHT TO BE REQUIRED AS A MATTER OF POLICY?

A. Yes, because that is not a question that is appropriate to answer in a bill which seeks only to construct a workable and fair system of bases and yields.

Q. IF CROSS COMPLIANCE WERE IN EFFECT, WOULD THIS AFFECT IN ANY WAY A PRODUCER'S ELIGIBILITY FOR BENEFITS ON TOBACCO, PEANUT OR SOYBEAN PRODUCTION?

A. No. The program eligibility applies only to wheat, feed grains, upland cotton and rice.

Q. IF A PRODUCER WERE OUT OF COMPLIANCE ON ONE FARM HE OPERATED, WOULD HE AUTOMATICALLY BE OUT OF COMPLIANCE ON ANY OTHER FARMS HE MIGHT OPERATE?

A. No. The bill speaks of support for crops produced on "a farm," rather than "any farm." Thus, the bill does not require offsetting compliance.

Q. WHAT IS THE PROGRAM YIELD?

A. A rolling five-year average of actual yields per harvested acre, with the high and low yields dropped from the calculation.

Q. IS THERE A LIMIT ON HOW MUCH THE PROGRAM YIELD CAN CHANGE IN ANY ONE YEAR?

A. Yes. A given year's program yield cannot be less than 90% or more than 150% of the previous year's program yield.

Q. WHY ARE THESE LIMITS PLACED ON YIELD CHANGES?

A. To provide some stability and predictability for producers.

Q. WHY IS A LIMIT PLACED ON INCREASES AS WELL AS DECREASES IN YIELDS?

A. If there were no "top side" limit, but a "down side" limit were enforced, yields would tend to become inflated over time, since losses would not be reflected fully.

Q. WHY IS THE "CEILING" ON YIELD INCREASES HIGHER THAN THE "FLOOR" ON YIELD DECREASES?

A. Too low a ceiling would not allow producers flexibility to "work out of" successive years of disastrous yields in a relatively short period of time. The ceiling, it should be recalled, does not inflate the basic calculation of the average yield -- it merely allows either more or less of the amount of year-to-year change in that calculation to be incorporated into the assigned program yield.

Q. IS THERE A FURTHER PROVISION FOR THE 1986 PROGRAM YIELD?

A. Yes. The 1986 program yield will not be less than the 1985 program yield as calculated under the 1981 Farm Bill -- in effect, a one-time floor of 100% rather than 90%.

Q. WHY IS THIS ONE-TIME HIGHER FLOOR PROVIDED?

A. To provide added stability as the transition is made from present yield calculations to the new system and allow producers to begin operating under this system in no worse position than under the previous system.

Q. NOTWITHSTANDING THE PRESCRIBED FORMULAS, MAY THE COUNTY COMMITTEE ADJUST PROGRAM YIELDS?

A. Yes, but only as USDA regulations may allow. Such an adjustment could be made if a change in farming practices (such as a change from dryland to irrigated farming) materially and permanently changed the land's productive potential, or if calculated program yields did not accurately reflect the land's capacity because of successive natural disasters.

Q. WHAT IF ACTUAL YIELD RECORDS FOR A PARTICULAR FARM ARE NOT AVAILABLE -- FOR EXAMPLE, IN THE CASE OF GRAIN WHICH IS FED ON-FARM?

A. In such cases, the county committee may assign a program yield on the basis of similar nearby farms.

Q. MAY THE COUNTY COMMITTEE ALLOW A PRODUCER TO PLANT A SUBSTITUTE CROP -- FOR EXAMPLE, WHERE FLOODING PREVENTED THE PLANTING OF THE ORIGINALLY-INTENDED CROP?

A. Yes. Such substitution may be allowed if a natural disaster prevented the planting of a program crop or destroyed the crop after planting.

Q. HOW IS SUCH ACREAGE COUNTED FOR PURPOSES OF DETERMINING CAB'S AND THE FAB FOR THE FOLLOWING YEARS?

A. Substituted acreage will be considered, for these purposes, as having been planted to the originally-intended crop.

Q. BESIDES ACREAGE ACTUALLY PLANTED TO A PROGRAM CROP, WHAT OTHER ACREAGE IS INCLUDED IN THE FAB AND CAB'S?

A. Any land set aside under supply control programs, unless planted to soybeans, is considered planted for purposes of setting CAB's and the farm's FAB.

Q. ARE CERTAIN USES OF LAND INCLUDED IN THE OVERALL FAB, BUT NOT IN PARTICULAR CAB'S?

A. Yes. The FAB includes the following --

- Land devoted to a conserving use in the normal course of farming operations (for example, certain rotation patterns), as determined by the county committee under regulations issued by the Secretary;
- Land that could not be planted or harvested because of natural disaster;
- Land planted to soybeans, unless soybean plantings caused the producer to exceed his FAB. In that event, the excess soybean acreage above the FAB would not be considered planted for purposes of future FAB determinations.

Q. DOES THIS PROVISION REQUIRE PRODUCERS TO LIMIT THEIR SOYBEAN PLANTINGS AS A CONDITION OF PROGRAM ELIGIBILITY?

A. No.

Q. THEN WHY ARE EXCESS SOYBEAN PLANTINGS NOT CONSIDERED FOR LATER FAB CALCULATIONS?

A. Because such plantings, were they not so omitted from consideration, could be a "back door" method of increasing plantings of other crops without penalty.

Q. HOW MIGHT THIS HAPPEN?

A. A substantial expansion of planted soybean acreage, if added to the FAB, would expand the acreage which could subsequently be shifted from one CAB to another with respect to other crops. Thus, a loophole might be created by which the net acreage of, for example, cotton and wheat would expand without penalty.

Q. HOW DOES THE STIPULATION IN THE BILL DISCOURAGE THIS?

A. It specifies that, if a producer expands his soybean acreage beyond his FAB, though there is no penalty with respect to soybeans, he will not subsequently be able to use that expansion to boost plantings to other crops without penalty.

Q. WERE THE STIPULATION OMITTED, WHAT ADVERSE EFFECTS ON VARIOUS CROPS MIGHT THERE BE?

A. Program crops would be adversely affected because a method of expanding their production without regard to either program or market signals would be created.

Soybeans would be adversely affected because an artificial incentive would exist to expand soybean acreage merely as a means of later expanding other crop acreage.

Q. WHAT DOES TITLE II OF THE BILL DO?

A. It repeals those provisions of permanent law (mostly the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949) which limit production and marketing of program crops through allotments, quotas and the like.

Q. WHY ARE THESE PROVISIONS REPEALED?

A. Because the system of FABs and CABs is intended to become permanent law. A conflict would be created if both systems were simultaneously on the books.

Q. FOR WHAT CROPS ARE ALLOTMENTS AND QUOTAS REPEALED?

A. Only for wheat, feed grains and upland cotton. Allotments for rice were repealed in 1981. Allotments and quotas for other crops are not repealed.

Q. ARE PROVISIONS OF PERMANENT LAW DEALING WITH PRICE SUPPORT REPEALED BY TITLE II?

A. No.

Q. ARE THESE ALLOTMENTS AND QUOTAS IN EFFECT NOW?

A. No. They are routinely suspended by four-year farm bills.

WHY A BASES AND YIELDS BILL?

6 REASONS WHY A CONSENSUS SYSTEM OF ACREAGE BASES AND PRODUCTION YIELDS SHOULD BE WRITTEN INTO PERMANENT LAW, NOT 4-YEAR FARM BILLS:

1. REMOVE UNCERTAINTY & ALLOW BETTER PLANNING

   Under the present system, base-and-yield formulas must be reauthorized and revised at least every four years by Congress. Thus, farmers' ability to plan long-range is limited.

2. PROVIDE A "SKELETAL STRUCTURE" FOR FUTURE FARM PROGRAMS

   Almost any conceivable farm program will require some method of assigning acreage to be planted and a productive capacity associated with it. The proposed system allows for a wide variety of farm programs.

3. ALLOW FLEXIBILITY TO RESPOND TO MARKET AND ENVIRONMENTAL CONDITIONS

   The proposed system lets farmers shift their production for conservation reasons or in response to market signals.

4. INCREASE PROGRAM PARTICIPATION THROUGH MORE EQUITABLE, FLEXIBLE AND PREDICTABLE SYSTEM

   Many farmers do not participate in farm programs now because of perceived inequities in their acreage bases.

5. PROVIDE GREATER CONSISTENCY BETWEEN CROPS

   Current formulas, especially for yields, are not consistent between different crops.

6. REMOVE ISSUE FROM FUTURE POLITICAL DECISIONS

   The present arrangement makes bases and yields subject to the prevailing political winds every four years (or more often).

THREE AIMS OF THE BASES AND YIELDS BILL:

1. EQUITY

   Create a system of bases and yields that will be consistent for all program crops, and acceptable to all production regions.

2. FLEXIBILITY

   Allow participating farmers to respond to market signals and follow conservation practices without penalty.

3. PREDICTABILITY

   Write a system of bases and yields into permanent law to permit long-range planning and remove uncertainties associated with the present system.

GENERAL FARM BILL OF 1985

FRIDAY, MAY 17, 1985

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Syracuse, NY.

The committee met, pursuant to notice, at 10 a.m., in the auditorium, State Fair Grounds, Syracuse, NY, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Also present: Representative Wortley and Senator D'Amato.

Staff present: A. Mario Castillo, chief of staff, and Marshall Livingston.

OPENING STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The CHAIRMAN. Good morning.

The committee will be in order.

We are here today at the invitation of New York's distinguished Governor, Senators, and most members of the New York delegation, and from our own desire, as members of the House Agriculture Committee, to visit with interested citizens and producers about the prospective farm legislation that we are in the process of getting concensus on now.

Since last year, we have traveled throughout this country, and we are very happy that we are able to come to New York.

We did not come with a large number of members because the purpose of these meetings is to build a record of your concerns, your suggestions, and take back to the committee our findings and your recommendations.

We have a hearing here today and tomorrow in New York City, to accommodate the downstate area people.

I would like to ask your cooperation in several respects:

One, for all who have prepared statements, your formal statement will appear in the record in its entirety if you summarize. So, you do not necessarily have to read all of your statement because those who read the text for information, as we write the legislation, will get the full impact of your statement.

Second, we would ask that you hold your presentation to as short a time as possible so that you can enable the other witnesses, your friends and neighbors, to participate, since we have approximately 40 witnesses scheduled today.

We will stay until all witness have been heard, but it would be nice if we could conclude at a reasonable time this evening.

The third area that I would like your cooperation with, concerns the list of the prospective witnesses.

I am not going to follow that list, but rather switch back and forth so that we can get a better input and contribution from interested citizens.

I appreciate all of you being here, and also would inform those persons interested in dairy, that the Livestock, Dairy, and Poultry Subcommittee will be coming to New York for a couple of hearings next month, and in order to avoid duplication anyone who makes a presentation on dairy today will not be allowed to make the same presentation to the subcommittee.

It is my honor and privilege to recognize your Congressman and our good friend and colleague, George Wortley, who sits with us today; and the Senator from the State of New York and my good friend, Senator D'Amato.

STATEMENT OF HON. ALFONSE M. D'AMATO, A U.S. SENATOR FROM THE STATE OF NEW YORK

Senator D'AMATO. That is very gracious of you, Mr. Congressman.

Mr. Chairman, in keeping with the spirit that you have enunciated, I am going to ask that my prepared text be placed in the record as if read in its entirety. I will attempt to summarize portions of it.

First of all, let me express our profound thanks for your coming to New York, for your recognition of the fact that New York is not just New York City. We are not just high rises; we are not just subways; we are not just urban areas; indeed, our No. 1 industry is agriculture, which is represented so significantly in the central northern, and southwestern part of our great State.

And as the chairman indicated at the press conference, the fact is that many of our own New Yorkers do not recognize how substantial and how important the agricultural industry is to our State.

It is a $3 billion a year industry. There are more than 400,000 people who are employed either directly or indirectly as a result of this industry.

However, all is not well with New York farmers. Our economic well-being is threatened by high interest rates, by Government policies, and by unfair trade competition.

I would suggest that our farmers can compete against anyone, but we cannot compete against farmers in other countries who are supported by their governments. For instance, we cannot compete against the Canadian Treasury.

I do think that, as it relates to the dairy area, we cannot face another reduction in price support programs.

Then we have to look for a more sensible approach to pursue a policy related more to the market and less to the political climate.

Lest I start off in the wrong way, Mr. Chairman, let me simply say that I deeply appreciate your understanding of the importance and the significance of the agricultural industry here in New York. The fact that you have taken time from your busy schedule to be here with us today heartens me, and I believe this will give a great deal of our honor to our farmers who face these difficult problems.

The **CHAIRMAN**. Thank you very much, Senator, and we do appreciate your being here for your contribution means a lot to us.

[The prepared statement of Senator D'Amato appears at the conclusion of the hearing.]

The **CHAIRMAN**. Congressman Wortley.

STATEMENT OF HON. GEORGE C. WORTLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. **WORTLEY**. Thank you, Mr. Chairman.

I ask unanimous consent that my opening remarks be included in the record, and if I might just summarize.

1985 is the year that we rewrite the Agricultural Act in this country. This is a critical year, and this is an important year, because New York farmers are going to have an opportunity to have some major input into that bill.

The single most important architect in the framing of the 1985 Agricultural Act is Chairman de la Garza, and it is an honor and a pleasure for me to have him in our district today.

American agriculture is at a critical stage, and the current policies just are not working. A major shift in agricultural policy is essential at this point in time.

We have got to get some of the politics out of agriculture, and perhaps put in some of the forces of the marketplace. We cannot afford to keep prices above the world prices. We cannot continue propping up inefficient and ineffective farmers.

We must move into a market-oriented system, but not overnight, something that can be done on a gradual basis, an evolution and not a revolution. And the farmers themselves must work together and try and come up with a consensus on agricultural policy, and if you think it is difficult to write an agricultural bill in Congress, you are right, because it is extremely difficult to find the consensus among the farmers of America on almost any subject, among the dairymen themselves, among the grain farmers, the soybean farmers or anyone else.

Our production in dairy is down somewhat. We have seen some improvement as a result of the last bill that we put in, bringing the market forces a little closer to balance.

Production is down a little bit; demand is up a bit; but there are still many uncertainties in the marketplace. Milk output is down only about half of the Commodity Credit Corporation purchases, and in the last quarter of 1984, there was no change in sales.

An astronomical level of dairy replacements exist today, even though we in New York State—we in New York State have seen the situation where there has been somewhat of a shortage of supply and many of our cheese plants have had to be shut down for several months at a time.

A major problem the dairy farmers have is casein, the importation of casein from Australia and New Zealand; and I am pleased to tell you that we have introduced legislation at the request of Senator Riford, chairman of the New York State Senate's Agricultural Committee. He has prevailed upon many of us in the House to sponsor legislation which will change that, those imports and reduce them extensively.

We need to have more trade talks, and I am glad to see that Secretary of Agriculture Block, just in the past few days, has announced that a Commission has been created to begin those talks with the Canadian Government to see what we can do about eliminating that dumping of Canadian cash crops into the New York State market.

We must continue another very important thing, particularly to those of us in New York State as the continuation of a vital Soil Conservation Program.

Those of you who may live around Otisco Lake area of central New York know that we have just begun to put a program of implementation over there, and we must continue a strong Soil Conservation Program in this country.

Mr. Chairman, we came here today, not to offer the solutions; we came here to listen to the problems, and to listen to your solutions.

And I urge us to get on with the program, and I yield back the balance of my time.

[The prepared statement of Mr. Wortley appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much, Congressman.

I am very happy to be in your district, and to be with you today.

The next witness is the commissioner of agriculture for the State of New York, Joe Gerace.

Again, so that we do not have to be reminding each witness, anyone who has prepared remarks the full statement will appear in the record as if read, and you may summarize.

Commissioner.

STATEMENT OF JOSEPH GERACE, COMMISSIONER, NEW YORK STATE DEPARTMENT OF AGRICULTURE AND MARKETS

Mr. **Gerace**. Thank you, Mr. Chairman, and I, too, add my thanks for your visit here and the sacrifice that you are making away from your family to visit New York; and I appreciate having visited you with a delegation of New York farmers, that what the Senator said about you is true: you recited more facts about New York agriculture than I have heard from some New York representatives.

You have already had my full statement, and I will not read that. You already have a recital, too, of how big agriculture is in New York.

Food and agriculture business combined in New York is a $10 billion business, so it indeed is a big industry, and indeed we are concerned; and this year's critical to us in New York as much as it is out in the West and the rest of the country to the farmers out there.

In New York the net farm income is half of what it was 4 years ago, and not many people I know could live today on half of what they earned 4 years ago.

And there is no community in New York or anywhere else that is untouched by agriculture. So, as you consider the farm bill, we ask you to consider, not just as a bill for farmers, but as an economic development bill for every community in our Nation.

One out of five people in New York work in food and agriculture business. One out of five paychecks in New York depend on food and agriculture business.

You mentioned dairy, and since it represents 60 percent of our agricultural industry, I want to dwell on that for a moment.

In 1960, just 25 years ago, we had 42,000 dairy farms. Today, we have about 15,000, and they're steadily decreasing. If you read the newspapers here in this area, you will see auctions every week of farms and farmers that are going out of business who do not want to go out of business.

Production for dairy farming has nearly tripled in those 25 years. Higher farm costs and lower prices for milk have squeezed many dairy farmers to the breaking point.

So, we have a condition of fewer cows, fewer dairy farms, more milk; and these are the trends that we asked you to bear in mind as the committee decides the 1985 farm bill.

We estimate that under the Dairy Diversion Assessment Program of 1983, New York farmers paid $75 million in assessments, and will receive $37 million in diversion payments. That means $38 million flowed out of New York to pay dairy producers in other parts of the country to cut back their output.

National milk production declined 2.8 percent in 1984. New York milk production declined nearly 3 percent, while California milk production increased 3.2 percent.

The Dairy Diversion Assessment Program obviously had an impact that differed significantly from region to region, and the outlook, as the Senator indicated, is not good.

The administration dairy proposal would cut the support price in several steps, possibly to as low as $10.60 per hundredweight.

There would be a move from support prices to target prices on October 1, 1987.

Let's go back a step:

The USDA estimates that total cash expenses may average about $10.73 per hundredweight for 1984, leaving no money for dairy farmers to live on.

And these farm expenses are certainly unlikely to decline.

The administration program will lead to a cycle of low prices, driving the dairy farmers out of business, and then to tighter milk supplies and rising prices, encouraging more production and then driving prices down again.

And there would still be fewer farms, and I have to tell you, substantially increased hardship in our rural communities.

My recommendations for the Federal Dairy Program differ from the Reagan administration. I would like to briefly outline those.

One, the 1985 farm bill should provide a long-term dairy price support program assuring dairy farm families of a stable price for milk even under adverse supply-demand conditions.

Supply-demand adjustments should automatically relate the support price to the volume of Government purchases, allowing the support price to decline when the CCC purchases increase, and to increse when CCC purchases decline.

And it may be necessary to increase the class 1 differential to assure milk production near population centers.

Two, dairy import quotas should be continued and consideration should be given to including casein under the section 22 quota.

Funding for the USDA Special Milk Program should be restored and continued. This program provides nutritional benefits to needy children in schools and is an important outlet for fluid milk.

And I spoke to school representatives who told me that the milk consumption in the schools, since this program dropped, has dropped 25 percent in the schools of the State of New York.

Congress should require the Food and Drug Administration to revise the nutritionally equivalent standard for imitation cheese products because they are penetrating severely into the real milk, if you will, and real cheese.

The producer-funded National Dairy Promotion Program should be continued because we have noted a leveling off of the steady per capita consumption of milk. In fact, you have seen a slight increase in it, and if it keeps up, you will not have to worry about excess surplus purchases by the Government.

We would like to see increased dairy market and product development programs, both at the Federal and local levels.

We must begin to understand more clearly the impact of the small and mid-sized, full-time commercial farms on local economies.

And we must find some mechanism to support them in the face of farm business cycles like the one we are in now.

Driving farmers out of business does tangible damage to rural and urban economies. And I am convinced that we must find a way to maintain farm family income during the down side of the cycle so that they will be able to continue to contribute to our economy on the up side.

We are deeply concerned about the administration proposal to eliminate the deductibility of State and local taxes from the Federal income tax levy, and the Federal income tax. This would mean fewer dollars in New York and other States for the development of agriculture.

Farm income will not return to reasonable levels until the record Federal deficit is reduced and interest decline, and agricultural exports are increased.

We should then encourage the adoption of an agricultural trade policy that treats all commodities fairly.

The present antidumping petition process of the International Trade Commission is too costly and is too time consuming for many farmers, and we would support legislation providing better means for farmers seeking remedies for subsidized agricultural imports.

Soil and Water Conservation, the Congressman has alluded to that—it must be on a long-term basis and integrated with Federal price support programs through sodbuster legislation to discourage production on land that is vulnerable to erosion and depletion.

The Reagan administration funding cuts for Soil and Water Conservation Programs should be restored, and Congress should work with the States to fund an integrated Pest Management Program, to allow farmers to reduce the use of pesticides and to reduce their cost.

A long-term national policy will allow farmers and agribusinesses to plan for the future.

In New York, under the leadership of the Governor, we have just released a major study entitled "New York Agriculture 2000," that looks at agriculture as it will be, and should be, in the year 2000, so we can develop our own long-range planning; and I know other States are doing that.

We must have a long-term approach to farm policy, not only for our own security but for the stability and peace of the world.

I urge Congress to consider the creation of a commission to investigate and recommend a long-term agricultural policy for the United States so that we need not resort to the band-aid of the medicine cabinet.

The American public now recognizes more than ever the role of agriculture in our national life. This is a good time and a good season to make a fresh start, and we in New York are not just relying on you at the Federal level to solve our problems. The Governor has, with his agricultural initiatives, set forth in his budget over $1.3 million for the marketing, development of marketing of New York agricultural products so that we can get a bigger piece of the market, and money for research and money for product quality, and money for technical assistance to agribusiness.

We are not asking that you do it yourself. We are willing to do our part as well.

Thank you very much.

[The prepared statement of Mr. Gerace appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, commissioner. We appreciate your contribution and the good work that you do here.

Now and then, I might interject a word here and there, but the commissioner mentioned that the problem with agricultural pests, and it seems that in my years as subcommittee chairman, I made a career of fighting with the Golden Nematode in New York. I think we finally got it worked out.

We appreciate your being here and all your assistance.

We are going to skip around now and are going to ask those listed on panel 5 if they will come to the witness table.

Mr. Griffen, president, New York Farm Bureau; Joyce Kitchen; and Don Helem.

Will the charming lady, Mrs. Kitchen, kindly give us her testimony.

STATEMENT OF JOYCE C. KITCHEN, PRESIDENT, ONEIDA COUNTY FARM BUREAU

Mrs. KITCHEN. Thank you.

I'm Joyce Kitchen, president of Oneida County Farm Bureau.

In Oneida County, agriculture is the No. 1 industry. I would like to thank you for allowing me to speak today on behalf of over 600 members of the Oneida County Farm Bureau.

Sitting in the heart of central New York State, Oneida County's rich farmland soils make up approximately 1,300 family farms averaging in size from 300 to 500 acres, the majority of which are dairy farms.

Among the many farm products in the county are apples, potatoes and other vegetables, corn, grains, lumber, beef, flowers and plants, honey, and dairy products.

In Oneida County farming is a self-perpetuating industry. Farmers have lived and worked for generations on the same farm. However, times are changing due to inflation, high interest rates, Canadian and other imports, and the Diversion Program.

Many of our farms have gone out of business and lay idle, leaving valuable cropland to be devoured by urban expansion.

Young farmers are easily discouraged after starting out. It takes too many dollars at high interest rates to keep farming today. Young farmers are our future. We have to do something now to encourage them to stay in business.

All segments of society suffer directly or indirectly when our farmers are in trouble. I have heard Chairman de la Garza speak many times of the possibility of these things happening. Right now, money is very tight, and farmers are buying very carefully or not at all.

Many machinery dealers, other farm equipment dealers, feed stores, seed and fertilizer dealers, grocery stores and clothing stores, whatever the farmers buy from are hurting.

Oneida County Farm Bureau members, as a group, make policy from the grass-roots level. These policies are implemented on a local, State and national level by our members and lobbyists. We need you to support the policies at your national legislative level.

We ask that you support farm bureau's 1985 farm bill. Farm Bureau members have elected to move toward the marketplace and feel that a longer term approach to farm policy is needed.

The farm program proposed by H.R. 1965 and S. 908 will enable the agricultural economy to become more responsive to national and international agricultural market conditions.

It will also provide for an orderly transition to a more market-oriented economy without pulling the rug out from under the farmers.

We support a Dairy Price Support Program which will bring supplies down to demand levels. We favor a system where the price support level would be automatically adjusted according to the amount of net dairy products purchased by the Federal Government and oppose any assessment of producers by the Federal Government as a part of any future dairy legislation.

Oneida County soils are a major source of wealth to its farms. We feel a conservation program should be continued and is necessary for owners and operators of erosion-prone land to assist them in conserving soil. A producer who brings fragile land into production should be ineligible for any farm program benefits.

Imports from Canada and other countries are seeping into our economy due to extensive subsidies being provided for their producers. Our producers do not want to inhibit trade. They only want to be able to compete on a fair trade basis.

Farm bureau feels: One, USDA should determine the extent of use of Canadian and Argentine subsidy programs; two, adequate funding should be ensured for FDA inspection and testing of imported products; three, our commodities should be recognized in the

GATT talks; and four, the budget should be balanced to decrease interests rates.

Our Federal Government cannot continue to spend beyond our means. Our farm bureau members support a mandated annually balanced Federal budget. Deficit is a result of overspending and should not be addressed by increased taxes. Farm Bureau is proposing to help cut agricultural outlays by decreasing price supports and other related agricultural program expenditures, but we cannot take an unfair amount of cuts, particularly when defense is permitted to grow.

I wish to thank Senator D'Amato, Chairman de la Garza, and other House Agriculture Committee members for bringing this hearing to New York. I hope that you have become aware that upstate New York is indeed thousands of acres of fertile soil worked by family farmers; and we hope you can help us to maintain this.

The **CHAIRMAN**. Thank you very much.

Mr. Griffen, we will be happy to hear from you at this time.

STATEMENT OF PHILIP C. GRIFFEN, PRESIDENT, NEW YORK FARM BUREAU

Mr. **GRIFFEN**. My name is Phil Griffen. I own and operate a 650-acre, 100-cow dairy farm in Saratoga County, NY.

Currently, I am president of New York Farm Bureau, whose membership is comprised of approximately 22,600 farm family members.

I would like to thank the House Agriculture Committee for the opportunity to comment on this bill, particularly, you, Chairman de la Garza.

I would like to thank Senator D'Amato for his influence on this hearing and Congressman Wortley for supporting H.R. 1965.

The farm bill issue is important to New York State for many reasons. First, agriculture is New York's largest business. Our 48,000 farms produced an income of $2.9 billion in 1982. More than 400,000 New York jobs are generated from agriculture and agribusiness.

Second, the largest component of New York's agriculture is the dairy industry. We rank third nationwide in total volume of milk produced.

Gross receipts from dairy farming, $1.5 billion in 1982, comprised 58 percent of New York's total farm cash receipts.

Even though New York's 17 million citizens consume approximately the same amount of milk and dairy products produced by New York dairy farmers, Federal dairy policy has a direct impact upon prices received by the dairymen in this State.

Third, the general well-being of American agriculture affects us all through increased exports and decreased trade deficits. All of us in agriculture want to see the United States regain the export market we have lost. A realignment of national farm programs is a major step in the right direction.

As a dairy farmer, I experience the tough economic conditions on a daily basis. Our current problem can be attributed to the following major causes:

First, high interest rates as the result of the Federal deficit;

Second, the strong American dollar; and

Third, the National agricultural policy.

High interest rates have a significant impact on the cost of doing business. U.S. agriculture currently requires approximately $80 billion each year for short-term credit, and has a $120 billion outstanding long-term debt. A 1-percent decline in interest rates would translate to the farm as a 5-percent increase in net farm income.

The strong American dollar has had a significant impact on our ability to compete in world markets. This situation has been a boon to the industrial nations because the dollar has made their products cheaper in the United States.

However, our goods are priced artificially high when the American dollar continues to rise against the foreign currency. A $37 billion trade deficit in 1984 attests to this fact.

National agricultural policy has worked hand in hand with the strong American dollar in discouraging U.S. exports while simultaneously signaling the farm sector to keep on producing.

Commodity prices for wheat, feed grains and dairy products have been maintained at levels attractive for America's farmers, yet uncompetitive on world markets.

We acknowledge that domestic dairy products could never compete on a world market. However, high Government support prices have been the primary factor for the tremendous imbalance between supply and demand for dairy products.

To make matters worse, these ineffective Federal farm programs cost the U.S. taxpayers $14 billion in 1984.

The 1985 farm bill comes at a time when the U.S. agricultural industry must make some major shifts in policies if it is to remain a viable industry.

The fundamental concept of farm bureau's farm bill, H.R. 1965 and S. 908, is that supply and demand in the marketplace rather than Government action should ultimately determine price and production levels of farm commodities.

Once again, the U.S. agriculture would be market-oriented and market-responsive.

To accomplish this goal, farm bureau's farm bill includes the following concepts:

Commodity loans—commodity loans provide a price floor for wheat, feed grains, soybeans and rice. High commodity loan rates have been a major reason why these agricultural commodities have been overpriced in world markets.

Farm bureau's farm bill proposes that the loan rates be set at 75 percent of a 5-year moving average market price, excluding the high and low years.

A loan rate adjustment of not more than 10 percent per year could occur.

By tying the commodity loan rates to the market price, we are reestablishing the loan as a safety net or a marketing tool that farmers may use as assistance in marketing their wheat and feed grain commodities through normal marketing channels.

No longer would commodity loans establish an artificially high market price. As a result, the Government expenditures for wheat and feed grains could be substantially reduced.

The American farmers are low-cost producers of farm products. Yet, high loan rates made it easy for competitors to undercut our prices and turn us into a residual supplier.

By tying the loan rate to the market price, a clear signal will be sent to our foreign competitors, that the United States, once again, will be competitive in the world markets.

Target prices is the second point of our program. Farm bureau's farm bill retains the concept of target prices for producers of major export commodities as a means to offset export subsidies instituted by many of our foreign competitors. The goal of our target price program is to assist the American farmer in the transition to a more market-oriented agriculture.

Farm bureau proposes freezing 1986 target prices at 1985 levels. Beginning in 1987, the target prices would be set at 110 percent of the average market price used to determine the loan rate. An annual adjustment of no more than 5 percent would be permitted. Deficiency payments would be subject to a $50,000 limitation

Stocks policy—in the past the United States has held surplus grain stocks while foreign producers captured a bigger share of the marketplace. The U.S. taxpayers picked up the cost of this storage and supply reduction programs.

Farm bureau proposes eliminating the Federal farmer held reserve and simply extending the regular CCC Loan Program for an extra 9 months. The farmer held, but Government-managed grain reserve was sold on its notion that it would make us a reliable supplier.

The attractive loan premiums and storage payments have been effective in drawing huge quantities into the grain reserve. However, the reserve program has been very ineffective in enhancing domestic grain prices.

Exports—farm bureau's farm policy favors an aggressive market development effort. This would include an Export Bonus Program, using CCC and grain reserve stocks to offset the advantage of export subsidies offered by other countries.

Since production from one-third of our cropland acres is exported, it is imperative that new foreign markets are aggressively pursued.

Dairy policy—farm bureau's proposal for the dairy portion of the 1985 farm bill contains four basic parts:

Continuation of the Dairy Price Support Program;

The establishment of the price support level at 90 percent of the average of 3 years all milk price;

Further adjust the support prices up or down, based on the expected CCC purchases.

Give standby authority to the Secretary of Agriculture to further adjust the support price downward, no more than 3 percentage points over a 6-month period, if Government purchases are to exceed 8 billion pounds of milk equivalent.

This program is designed to continue to correct the milk supply-demand imbalance and maintain a stable industry, while substantially reducing Government expenditures for surplus dairy products.

Through implementation of our program, dairy farmers once again will be producing for the marketplace rather than the Government.

Approximately 1 year ago, dairy producer organizations throughout the Northeast got together to discuss provisions for the dairy portion of the 1985 farm bill.

This group of farm organization leaders have been meeting on a regular basis and have come to be known as the "1985 Farm Bill Committee."

New York Farm Bureau is proud to be a part of this effort.

Farm bureau's dairy program embraces the policy position of the 1985 Farm Bill Committee. Farm bureau and the 1985 Farm Bill Committee do not support any form of farmer assessed supply control program.

From a Northeast perspective, the Diversion Program cost dairy farms $110 million. The 50 cent assessment created a $160 million outflow while participants brought back only $50 million in diversion payments. The Northeast certainly lost more than they gained on the program.

Future farmer assessment programs can only have a negative impact on the Northeast dairy industry. We will be paying for the inability of the Midwest and Far West to adjust their milk production to the marketplace.

No other agricultural commodity sector, except for tobacco, has been assessed for producing too much product. The problems of the tobacco industry have come from strict Government control. We do not want the dairy industry to follow that same course.

The Northeast has been unified against any form of assessment program. Farm bureau will continue to oppose the programs containing such provisions.

Farm bureau's farm bill [H.R. 1965/S. 908] is a very positive step toward a more market-oriented agriculture, while maintaining a reasonable safety net set under production, during this current time of economic difficulty.

We encourage you to join with your colleagues in the Senate and the House—such as Congressman Wortley—in cosponsorship of this bill.

Thank you very much for this opportunity to testify.

The **Chairman**. Thank you very much.

We appreciate your testimony.

Due to time limitations, we are not going to ask too many questions today, but I would like to ask one question of you, Mr. Griffen.

By market oriented, or meeting the market, do you mean any price market, and would you gear production to sell at any price just because that is the market price?

Mr. **Griffen**. I said more market oriented; I did not say free market. There is no free market.

Market oriented is getting back toward that market supply/demand consumers—we cannot produce more than the consumers will eat for a very long time without being in a situation which we are in today, spending huge volumes of dollars to support, to store product that we can never sell.

The **Chairman**. But in the world market, when other governments intervene, what do you do with that market? Do you meet the price no matter how low?

Mr. **Griffen**. I believe that we can compete with those foreign markets withstanding the fact that the Federal Government would impose some regulations and influence the amount of import and at what price that import can be brought into the country.

If it is foreign subsidized, then we should have the protection against that foreign subsidy.

The **Chairman**. So, the position of the farm bureau is that you want to form a partnership with your Government in order to meet impacts of other countries onto product prices.

Mr. **Griffen**. We believe that we—under our free market system, we believe that we can compete with any country.

The **Chairman**. You only get a free market as you and I understand it at someplace called fantasy island. [Laughter.]

So not being able to go there—I am getting tired of people saying "market-oriented, market-oriented, market-oriented."

What do you mean by market oriented?

Do we meet their price at any cost? Or do we ask the Government to be a partner and help us equalize?

Mr. **Griffen**. I guess that we have to ask that the Government be a part of this program, yes.

The **Chairman**. I am very happy that the farm bureau would take this position, and we commend you for it, because we have to work together.

But I assume you don't mean by market oriented that you are aiming for the market no matter what the price is?

Mr. **Griffen**. Yes, I guess I would have to agree with that statement.

The **Chairman**. And supply and demand is something that is unachievable?

Mr. **Griffen**. Supply and demand is not unachievable. You are saying that supply and demand is unachievable.

The **Chairman**. Unless Government intervenes, supply and demand is an unachievable factor, because supply and demand is 3,000 miles from New York City to San Francisco. The same applies from North Dakota to my area in Texas. Supply and demand occurred when a community brought all their resources to the town square and exchanged and bartered, and it didn't go beyond the jurisdiction of that community.

And it was not really supply and demand, but whatever was there was sold. Can you have an effective supply-and-demand situation for any item in the vastness of the United States, with transportation costs, weather, and spoilage? What are you talking about by supply and demand?

Mr. **Griffen**. I guess that we believe that the market can better dictate the price of the product than can Government. The Government has a pretty good track record for failure on this area.

Tobacco, excuse me, tobacco has had set prices, has had quotas, has had the whole gamut of things by Government influence, and look at the trouble they're in. They can't sell their product. They have to have a special tobacco program.

They don't even tie it in with the farm program any more, because they can't deal with that under the same farm program that everything else is.

The **Chairman**. Well, tobacco is a specialty item. We have to write legislation to impact on this, so do you mean that we should have a national supply and demand from New York to California and North Dakota to Texas?

Mr. **Griffen**. If you're talking about the Government being a part of setting the prices——

The **Chairman**. No, leave the Government out. Supply and demand is the free market that you talk about. We passed the Reagan administration bill and phased the Government out, and returned supply and demand to the farmers.

Will that work? Will there be scarcity or oversupply? I assume that you think there will not ever be any oversupply if the Government is out of the picture. Do you think that's correct?

Mr. **Griffen**. I think we would be probably in a better situation than we are now, and at least there wouldn't be billions spent on storing a product that we had oversupplied. There wouldn't be oversupply for very long, because as soon as farmers don't make money at it they're not going to do it.

The Government has supplied a market. They have made a market price that many farmers have been able to make money at, as evidenced by the huge surpluses of dairy products, as an instance.

The **Chairman**. What happens if there is undersupply when the Government is entirely out of the picture?

Mr. **Griffen**. Consumers would pay more for the product.

When they started paying more for the product, that would spur more people to producing and that would balance it, there would be more production. Yes; I think that——

The **Chairman**. And you'd have surplus again.

Mr. **Griffen**. No; because as soon as they stopped paying that much for the product it would go down again.

The **Chairman**. Thank you very much. We appreciate your being here.

May we call the next witnesses, Vyron Chapman and Thomas Ayers. I ask our colleagues from the assembly to bear with us. We want you to experience some of what we are experiencing. [Laughter.]

Mr. **Wortley**. Mr. Chairman, I wonder if I could make an observation.

The **Chairman**. Yes, sir.

Mr. **Wortley**. I think Secretary of Agriculture Block made a good point the other day when he said we can no longer continue to tolerate the European Community dumping their agricultural products in the world marketplace and driving out American products that should be sold on our shores.

And he said that from this point on we will be looking toward dumping our Commodity Credit Corporation surpluses in those world marketplaces where the European Community was competing unfairly with us. After all, the export market for American agricultural products was a very key facet of the agricultural economy in 1980–1981.

But we've lost a lot of those world markets because of European dumping, and I think it's about time we fought fire with fire, and if they're going to dump their products in the world market, then we ought to be dumping our surpluses in the world market and bring them to their senses.

The **Chairman**. I appreciate that very much, but a word of caution. The European Community is not our sole competitor in many of our areas. There are other areas in South America, and we started losing markets before those petrodollars started going up, and it's a very complicated broad issue.

We can't just throw the whole bomb on the European Community nor can we dump and they dump, and we lose and they lose, and a third party gets all the gain.

It's more complicated than that.

Mr. Chapman, we would be happy to hear from you, sir.

STATEMENT OF VYRON M. CHAPMAN, CHAPMAN FARMS, REPRESENTING EMPIRE STATE POTATO CLUB, INC.

Mr. **Chapman**. I'm here today representing the Empire State Potato Club. This includes Long Island. I'm here today to discuss the devastating impact that the heavily subsidized Canadian imports have on Northeast agriculture.

I'm particularly honored, as are others in this room here today, to have the distinguished guest, the chairman of the House Agriculture Committee, here before us today.

Mr. de la Garza, the agricultural sector is well aware of your concern for agriculture, and we are also well aware that you have less than complete cooperation from some of our Northeast Representatives on agricultural issues.

That, Mr. Chairman, I hope will be changed. We have been bombarded with heavily subsidized Canadian vegetables since 1978, and our farm assets has eroded on the average of 12 percent a year since that date. We have tried for the past 4 years in a democratic method by making our problem known to the only people who have the power and influence to reverse this unfair trend.

We've made many trips to Washington, and our story was told in detail to the dignitaries, such as Secretary of Agriculture John Block, Assistant Secretary of Agriculture McMillan and Under Secretary of Agriculture Amstutz. We had working sessions with many of our trade representatives, office calls and meetings with our Senators and Congressmen in Washington.

Through the efforts of the National Potato Council, we have met with Canadian horticulturists, the Canadian Horticultural Council. I, personally, have testified before three ITC investigations. I have testified before Senator D'Amato's Senate Subcommittee on Small Business.

We have been to the American Embassy in Toronto to explain our problem. We have had several meetings with the American Farm Bureau, and I am presently serving on the Secretary of Agriculture, John Block's, Potato Advisory Group.

Each time we have walked away from these meetings feeling that we had made our point, and a solution could be reached, because we felt it was within these dignitaries' powers to make it happen.

During the timeframe of 3½ years, we hired a consultant at a cost of many thousands of dollars to guide us, and with the help of our trade representatives we drafted a bill that would give us speedy and precise relief of imported vegetables if proof could be shown that the vegetables could be harmful to the domestic industry and GATT was being violated.

The bill is now H.R. 110. To date we have been denied the push needed to get this bill enacted, even though the country that is destroying the vegetable industry in the Northeast has in place such a bill for their use, and they have not been afraid to use it.

Many industries such as wine, tomatoes, automobiles, steel, textiles, yes, and even the potato industry, has spent millions in submitting countervailing duty and antidumping petitions, only to have the Department of Commerce and the ITC turn them down flat.

This is to say that the only alternative that the domestic industry has against foreign imports is outdated, it's nonfunctional, it doesn't work. As farmers, we have the right to the markets in our area. We have earned them, and it's our earned money that pays school, county, State, and Federal taxes, not Canada.

Agriculture and its supporting industries employ one-fifth of the work force, or 22 million people in this country. I believe it should be in the best interests of this country to keep its people working, not Canada's.

Ceiling prices, grain embargos, high interest rates, devaluation of land, loss of exports, the deterioration of farm prices, foreclosures, farm-related business failures, rural bank closings, all this certainly is an indication that we have a problem over Federal policies and trade issues that by law only they can change.

Man's first and indispensable requirement is food. Food fuels the human machine. No other alternative fuels are available. Man can survive without clothing, shelter, even without TV and the automobile. But without food man will die.

No social engineering, economic projections, or computer models can alter that consequence. From the first time man appeared, his overriding concern has been to feed himself. Once that chore was attended to, he was free for other pursuits.

Only after man provided enough food for himself and some left over for his neighbors were the neighbors free to make clothes, houses and whatnot. Let there be no mistake: it is now and has always been the farmer who underwrites the Nation's economy and its social well-being.

I believe, Mr. Chairman, we have subsidized the consumers with cheap food long enough, regardless of how insensitive this administration is to agriculture. Thank you.

The Chairman. Thank you very much, sir. Mr. Ayers.

STATEMENT OF THOMAS E. AYERS, PRESIDENT, EMPIRE STATE POTATO CLUB, INC.

Mr. Ayers. My name is Tom Ayers. We have a family farm in Wioma County and grow about 100 acres of potatoes. I'm also president of the Empire State Potato Club, a State organization representing about 200 dues-paying growers and other interested people.

I would like to make the point that the Empire State Potato Club supports Mr. Chapman and the National Coalition on Fair Trade. He has done a tremendous job in representing us.

The New York potato grower is being adversely affected by current import-export policies. We do not understand why we need the imports from Canada. The New York potato grower is able to produce, or can produce, sufficient supply, and our prices have not increased over the last few years to justify the needed imports.

We do not feel it is unreasonable to ask for protection from highly subsidized foreign agricultural products, and I'm including in this either subsidized things such as direct Government payments, and I might add here that potatoes are not directly subsidized in this country.

I also want to include foreign countries being able to use chemicals that we cannot use in this country, and either way you want to look at it, either Canada's policy of maintaining a cheap dollar in relation to ours, or our policy of having a high-priced dollar in relation to theirs.

I'm throwing all those in being Government subsidies to help their agriculture. That's, I think, been well documented, the other factors affecting the import situation. As you mentioned earlier, the golden nematodes. We strongly look for your support and continued funding of nematode programs, potato-breeding programs. Both Cornell and the USDA have produced several new nematode-resistant varieties.

These new varieties in the potato-breeding program, it had additional benefits of increased yields and better eating and processing qualities, which will more than pay for any cost to the consumers or the taxpayers. The benefits to the consumers will more than pay for any cost to the taxpayers.

I'd like to take this opportunity to remind the committee that the farmers need a continued supply of chemical pesticides for economic production. We hear a lot in the news about adverse effects of pesticides and the new—you know, just general chemical policy, and that we do need the chemicals for economic production.

I want to thank you and your committee for coming to New York.

[The prepared statement of Mr. Ayers appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much. We appreciate both of you being here, and we appreciate the work that you do throughout the year.

Mr. **Ayers**. Thank you.

The **Chairman**. Senator.

Senator **D'Amato**. Mr. Chairman, I want you to know that I share to a great extent the frustration that Mr. Chapman and Mr. Ayers do, not only as potato farmers but the horticultural industry in general has undergone. I think it'd be worthy of note to put into the record that in New York we have experienced a 200-percent increase in Canadian horticultural products.

I'm talking about potatoes in particular over the last 7 years. We have seen a situation where the price that Canadian farmers are selling at is at $1 per hundredweight loss to them, yet they continue to expand their market.

I brought this to the attention of the Canadian agricultural people this past week. I was in Ottawa Friday, I spoke to them in relationship to this problem as well. I want you to know that I share your frustration. We will continue to get to the bottom of this.

They do not give us good and accurate figures as to what they're doing and how they're doing what they—they're embarked upon a program that is being heavily subsidized and encouraged to export.

And we are feeling much of that brunt. I want to tell you today—Senator Coombe and I in the Senate, are attempting additional legislative initiative. We've introduced a bill again this year. We'll keep in touch with you.

It's a very perplexing problem. It's not one that's unique just in New York or to the Northeast, and I think this problem has become more pronounced. Hopefully we'll be able to build a broader basis and synthesis in the Congress to deal with this.

The CHAIRMAN. Thank you. I assure you, all of us who traveled to Canada last November met with not only the government agriculture leaders, but also producers and associations. We're still addressing the problems, and hopefully we will arrive at some needed help for all of our producers.

Thank you very much.

Senator D'AMATO. Thank you for the opportunity.

The CHAIRMAN. Now I think we'll switch back to our colleagues from the assembly, the ranking minority member, of the agriculture committee, Richard Coombe, and John O'Neil, our colleague from the assembly.

We'll be happy to hear from you, Mr. Coombe.

STATEMENT OF RICHARD I. COOMBE, MEMBER, NEW YORK STATE ASSEMBLY

Mr. COOMBE. Thank you very much, Mr. Chairman. I'm going to summarize my remarks also.

I'm Richard Coombe. I'm an active beef and crop farmer from Sullivan County, NY. I'm also the ranking Republican member of the assembly agriculture committee. On behalf of my Republican colleagues and indeed my colleagues of both Houses, we welcome you for answering our call for having a field hearing of your committee here in New York State.

The views which I express today are shared by many of my colleagues in the assembly, and we are justifiably concerned with the agricultural situation in our country and indeed our State. Debt service is second only to feed costs on our farms.

This is a staggering fact that must be addressed if farming is to remain a viable industry in this country. The cause of this situation is obvious. Our low farm prices, high cost of production, the strength of the dollar and our large Federal deficit.

Despite the profound implications of this issue upon New York State and the regional economy of Northeast, there is nothing that we in State government can do beyond branding the seriousness of this situation for Washington decisionmakers like yourself.

The farm bill must be constructed to allow fair and equitable treatment among commodities, yet be fiscally prudent enough to allow agricultural producers to shoulder their fair share of the overwhelming deficit. Spending more money is not the answer to solving the current farm problem.

We spent in excess of $14 billion last year on farm programs, and our farm situation is the worst that it's been since the 1930's. In fact, we are facing the most severe wringing-out in agriculture since the 1930's, and indeed there is a clear and present danger that our way of life is at risk.

Research in the field of agriculture will be critical, especially in the years to come. I strongly believe that the 1985 farm bill should support research efforts, especially in the area of marketing and increasingly to lower the costs of production so that we can better compete in the world market.

Our farmers in the 1980's are faced with a more difficult cost-price squeeze each year, and new technology is one of the ways to relieve this burden by offering us lower costs and increasing our marketing opportunities.

New York and the rest of the Northeast are a unique part of this country's agricultural industry. We are located in close proximity to one of the largest, most affluent markets in the country. Although there is a national surplus of milk, we in New York have a shortage of fluid milk.

The administrator for the New York-New Jersey Federal Milk Marketing Order No. 2 issued a call order this past winter that requires handlers to sell more milk to the fluid market. This is only the second time since 1947 that this action has been necessary.

A blanket policy for the dairy industry's surplus has an adverse effect on New York dairy farmers. I urge you to recommend to the Secretary of Agriculture an increase in the transportation differential. The 1985 farm bill is critical legislation for the entire industry, especially the Northeast.

We are all familiar with the faults of past legislation. For example, in the latter 1970's a lucrative farm program caused excessive overexpansion, hence surpluses in the low farm prices. I sincerely hope that this bill will be drafted so as to react to changes in the marketplace in a manner that will keep the industry healthy and stable for many years.

Once again, thank you very much for holding this field hearing in New York State. Thank you, Senator D'Amato and Congressman Wortley.

[The prepared statement of Mr. Coombe appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. Mr. O'Neil.

STATEMENT OF JOHN G.A. O'NEIL, MEMBER, NEW YORK STATE ASSEMBLY

Mr. O'NEIL. Good morning, Senator and Congressmen, and thank you very much for your response to come to New York, and we sent the letter last July 17. On behalf of Clarence Rafferty, our minority Republican leader in the assembly here in New York State, our colleagues Richard Coombe and others on the Ag committee, we're deeply gratified that you are here today to hear from those in the agricultural industry and also, of course, from us, who hopefully represent the industry as best we can.

I represent the 112th District in the New York State assembly, and I also serve on the agriculture committee. My good friend and colleague Richard Coombe has aptly described the prevailing attitude of assembly Republicans on the general issue surrounding the 1985 farm bill.

I want to focus on New York State's largest and its most important industry, and that is of course the dairy industry. My district, St. Lawrence County, is the leading milk-producing county in New York State. It's surrounded by the next two leading producers, Lewis and Jefferson Counties.

Nationwide, New York State ranks first in the production of creamed cottage cheese and cream cheese, second in Italian cheeses and low-fat cottage cheese, and it also ranks third in total milk production and total cheese production in this vast country.

Thus we are among the Nation's leaders in the field of dairy production. New York's dairy industry, like that of many other States, is in a tremendous period of turmoil. With the national dairy issue and price support system at the forefront of public discussion in the recent years, our dairy producers have found themselves in an almost nearly impossible situation of trying to plan the future.

This is their single most difficult problem. Our dairy industry has been racked with major policy changes at the Federal level over the past several years, causing confusion and uncertainty among those dairy producers. The enactment of the $1 per hundredweight assessment was an ill-conceived and counterproductive program that resulted in increased milk production as farmers tried to cope with a reduced cash flow by implementing more production.

The voluntary paid diversion program lowered milk production, but it did not meet with overwhelming approval from our farmers, as witnessed by the low signup, although that signup was greater in the Northeast and in New York State than it was in some of the States, such as Wisconsin and California.

Nor did this result in large-scale declines in milk production. Few dairy farmers believed that the diversion program was a satisfactory long-term answer to that national problem of overproduction.

In reviewing the options for the development of future Federal dairy policy, there are a number of widely different courses to choose from. The options range from very simple modifications to the existing price support program to Government-run control programs to the other extreme of abolishing all Government control and involvement.

I do believe the basic price support program has worked well over the past 36 years, and that our current problems stem from changes made to the program in the late 1970's that left this program inflexible and unable to respond to the changes of the marketplace.

As a long-term policy, I believe we must restore flexibility to the program so that the program will be enabled to more correctly reflect the supply and the demand that is actually there in the marketplace.

In closing, regardless of whatever policy changes ultimately are chosen, our Federal representatives need to give careful consideration to the short-term adjustment period. There is a need to ask who will survive and who will not.

Each proposal will impact individual farmers and individual regions differently, and speaking as one involved in the formulation of policy, that short-term impact should be one of your foremost concerns.

I do wish to exhort you to give special consideration as you develop either the short-term or the long-term directions in the farm bill to the fact that there is unique land that is used for dairy in New York State that does not have the flexibility or the adaptability that land has in the Midwest and California for using other crops.

Therefore dairy is most important to continue in this Northeast, and we hope that our farmers don't have to purchase those new tractors that come without seats and without steering wheels as a result of a Federal farm bill that does not take into account the regional differences.

Those tractors are designed for those who have nowhere to turn.

I want to thank you, Mr. de la Garza, for the opportunity to testify on this important issue. We appreciate your coming to New York and spending the time listening to us today.

The CHAIRMAN. Thank you very much.

Let me ask you a couple of questions and then I'll make a statement for the benefit of those who are reporting this event. One, what did you call the diversion or set-aside payment, ill-conceived or——

Mr. O'NEIL. Yes, Congressman. I believe that it was ill-conceived in this sense, that where we were trying to adapt a policy that would address the problem of either overproduction or underconsumption of milk in the United——

The CHAIRMAN. There was a short-term emergency, but it did reduce production by over 40 percent. You say that it produced more milk. Perhaps, a farmer here, a farmer there, but it reduced production over 40 percent, and it reduced the costs.

Mr. O'NEIL. If it did do that nationally, then I don't——

The CHAIRMAN. I don't know where you obtained your figures, but nationally it reduced production over 40 percent, and the costs by almost 50 percent.

Mr. O'NEIL. The cost figure we do realize lowered during that period of time, but we found that many, many farmers here in New York State and the Northeast milk area where there was the possibility of selling milk—in other words, the supply and demand——

The CHAIRMAN. We have an unbalance, yes.

Mr. O'NEIL. We had others adding cattle to their herds in order to make a cash-flow.

The CHAIRMAN. That ill-conceived program reduced production about 40 percent. People aren't shouting about the costs of the dairy program now, and they were then. The whole program was about to fall by the wayside. Had we not taken action, as ill-conceived as you think it was, we would not have had a dairy program now or prospects for one in the future, because the program would have been killed.

Mr. O'NEIL. Surely. Yes, at the Federal level if there were regional directions, Congressman, I felt it would have been a better-conceived program to deal with the oversupply in the areas that could adapt. Here again we get to——

The CHAIRMAN. You want regional programs for dairy? A different program for every region?

Mr. O'NEIL. I thought, Congressman, that in the Northeast there ought to be some concern given to the demand that is met by the dairy farmers here in the Northeast without imposing upon them a policy that essentially was aimed at taking care of an oversupply in other areas of the country.

The CHAIRMAN. Do you want a national program or do you want a New York State program, a Texas program, a Wisconsin program?

Mr. O'NEIL. I do think we can have a national program that takes into account regional supply and demand, the marketplace demand.

Mr. COOMBE. That was basically what I wanted to state in the regional differentiation based on supply and demand, and of course that's the reason why I called for an increase in the transportation differential, because that would help in this particular case, yes.

And then one other comment I could make very succinct, and that is that we recognize you were trying to solve a problem that was made longterm in nature a few years ago by the increase in the price support program that led to overproduction.

I'm a farmer. I really am. We work hard on our beef and crop farm. We don't put in tiled drains and have a 30-year payback. We don't put up a trench silo that might have a 20-year payback on the basis of reactions for every couple of years.

And the one thing I implore upon you is that develop a long-term program which would keep in mind the fact that we must make long-term decisions, because you do have a way of life at risk that's so important.

We helped put that *Challenger* and *Discoverer* up, because we only cost the people in the United States about 2 percent of the population to produce food and fiber, and because of the fact that we only cost them 16 percent of their income, disposable personal income, for food.

It's very important, and you know that too, but we're at risk now.

The CHAIRMAN. It's now down to about 13 percent.

Thank you very much.

The question that I wanted to raise was how did we get into the situation in dairy that we found ourselves in a year or two ago? We were running out of milk.

That so-called free market supply and demand wasn't working, and we were running out of milk. We went begging to New Zealand, Australia, Canada, and other countries to send us milk.

In the Congress and State legislatures, we are so responsive to the needs and the will of the people that sometimes we have a tendency to overcompensate. Our constituents ask for something and the legislative bodies give "two" when "one" would suffice.

That's what we did in the dairy industry. People sat around, I was one of them so I'll have to take my share of the blame, and asked: How do we make or entice the farmers to produce more milk so we don't have to beg for help from our neighbors across the seas?

The answer was to raise the price support. And we did. Legislation went through the committee unanimously, through the House without a question asked, and then through the Senate without a question. And, it worked.

And, then we overcompensated, and we got too much. Because of a need at the time we said if you raise the price support they'll produce more.

Farmers were challenged to produce more; they did; and they produced more than we needed. Basically we don't export milk and we don't import.

There is a very strict quota on cheese, and so dairy imports, except for casein, is not an issue.

There are many in this country who want to impose more quotas, but the real problem is that we overcompensated. Another factor affecting the situation was that we had done extensive research and development in the dairy area to develop cattle that could produce more. This started at a period of time when all of the colleges and universities—the Cornells, the Purdues, and the Texas A&M's—had been doing such an outstanding job in their research program that the culmination was a cow would almost give more milk for the same amount of food.

Even the cows on their own were giving more milk.

And so it was a culmination of events that brought us to the point of what do we do now? And that was when we set the incentive program to try and produce more at a lower cost, and it was very effective.

Mr. Coombe. May I interrupt you for a second? I do get all of your news releases and so forth, and I'm very excited about your concern about research in marketing, and we can't turn our back on biotechnology, et cetera, et cetera. We have to move on to get the costs of production down.

The key thing is phased out of your program, because $14 billion last year didn't help us. It hurt us. We still opt out of the Government price floor there, and we need you to help us over these tough times, because we as farmers can't react just like that.

We've gotten into this predicament, we need help getting out, because we're an important backbone of this Nation.

Thank you.

The Chairman. Have either of you two distinguished gentlemen acquainted yourself with H.R. 2100?

Mr. O'Neil. Yes.

Mr. Coombe. A little.

Mr. O'Neil. We were in Washington with Senator D'Amato, who has of course also expressed a great deal of interest in the total problem, and we keep very close tabs on. We commend you for your fine work, and we do wish that you would keep in mind that even with research, our cattle in New York State are still averaging only 16,000 to 17,000 pounds a year.

That's not as critical as the number of farmers in other areas of the country who switched from crop farming to dairy farming. Our dairy farmers here cannot go in the reverse direction, and we just wish that you would also keep that in strong consideration.

The **Chairman**. Thank you very much for being here. We appreciate your participation in our hearing.

Mr. **Monson**. Can I ask a question here?

The **Chairman**. Well, sir, it's not proper, but we'll break all protocol and allow you one question.

Mr. **Monson**. Well, I think you're going to like it.

The **Chairman**. OK.

Mr. **Monson**. Did you say that this Diversion Program had lowered production 50 or 40 percent?

The **Chairman**. Over 40 percent nationwide, yes, sir.

Mr. **Monson**. No, sir. I disagree. Because right now, now wait a minute, the Diversion Program, right now, I sent my milk to Pierpont Manor to Queens Farm, and they are taking in more milk right now than they ever have. So, as Yogi Berra says, "It ain't over till it's over." And I was discriminated against, because I had the Party Count Dairy for 30 years. And I haven't done anything to produce a surplus.

The **Chairman**. Thank you, very much.

Mr. **Monson**. You'll hear from me, later.

The **Chairman**. Yes, sir. And we'll make a note that you disagree.

At the end, if we have time, we'll permit testimony from those who were not scheduled to appear and explore the area where you were discriminated against, Mr. Monson.

The next witnesses will be Barbara Schell, Clyde Rutherford, and Arie Scholten.

Mrs. Schell, we're happy to hear from you.

STATEMENT OF BARBARA B. SCHELL, DAIRY FARMER, EVANS MILLS, NY

Mrs. **Schell**. My name is Barbara Schell. I'm a dairy farmer from northern New York.

Gentlemen of our panel, I have come to reason and I have come today. Our country is blessed with a very productive agricultural industry. It is time that we appreciate this blessing and properly manage it for the benefit of the producer and the consumer, alike.

This is a reasonable and obtainable goal. However, it will require us to throw politics aside, let reason alone prevail, and draw upon the leadership that we have within us, in order to accomplish the former and the latter. I believe that we need a supply management system, similar to the quota system of Canada, to solve the overproduction problems in our dairy industry.

A quota system takes into consideration the needs of both the producer and the consumer. Our present administration has not yet come to this conclusion. However, these past 15 months, we have had a Dairy Diversion Program. It was a very good program to reduce production. It accomplished its goal. As a diversion farmer, my husband and I think that it worked out very well. We are proud that our Government agency, ASCS, managed it with efficiency, propriety, and helpfulness.

The Government can do a good job. However, we need a long term plan. Our present administration wants to keep lowering the support price until the surplus is no longer with us, because of the demise of the American farmer. We know that this is just putting a noose around every farmer's neck, and tightening it periodically. We must keep producing as much as we can, just to have the privilege of swinging.

The alternative is to drop into a deep financial abyss, filled with moral degradation and bankruptcy. Our own Government is using our efficiency to choke us. This is certainly a barbaric way of dealing with people, especially a segment of our society which is so widely known to be efficient and hard working. It pits farmer against farmer.

This administration's plan does not guarantee that the fittest will survive. A farm family may survive that is willing to let their teeth fall out, rather than spend the money to fix them. Or another that is willing to let their health insurance, disability insurance, life insurance and fire insurance lapse, in trying to survive.

Some may survive, but their children don't have the energies to study, so they drop out of school.

Gentlemen, this course of lowering the support price is an unreasonable approach to the problem. We will feel its negative consequences long after we finally decide on being reasonable.

Let me tell you more about the reasonable approach Canada has taken in managing its milk supply. Each dairy farmer has a quota, which is a percentage of the total market. This quota can be bought and sold, on an exchange similar to the stock exchange, with the price determined by supply and demand.

As I have said, quota is a market share, not a definite number of gallons of milk. Therefore, it is responsive to market pressures. If the market expands, each farmer can produce more milk, and if the market decreases, each farmer must produce less milk. It is an equitable system. If a farmer is efficient, he will be able to make a profit at the set price. If he wants to expand, he'll be able to afford to by quota.

However, if the farmer is not efficient, he would not be able to make a profit, and he will have to discontinue his business. He would sell his quota to an efficient farmer, who wanted to expand, or to a novice, who wanted to go into the dairy business. The fittest would survive in this orderly system. There would be no incentive to produce more milk than there is a market for.

The quota system is a set of guidelines, under which a free enterprise system can operate. There are tremendous advances in dairy technology on the horizon, which will be more important than ever, that we have a supply management system in place. If we have an orderly milk marketing system, these advances can help everyone by lowering the cost of milk production.

However, without a supply management system, they could devastate the industry, as everyone produces at a loss, just trying to stay in business while the shakeout occurs. The dairy industry is on the brink of disaster now. Instituting a supply management system will require time. This is time we really don't have, unless we reinstitute the diversion program to hold production down, without further lowering the price. Then we will have time to plan and develop our own quota system.

For each of you, I have a packet with the history my husband and I have written, concerning our agricultural situation, and some magazine articles which may answer some questions you may have on the quota system.

I have reasoned with you, and now, I beg. As a member of a 2 percent minority, it is only through your charity, your willingness to set politics aside, and let your reason prevail, that this suffering in my identity group, the farming community, will stop. I beg you, please be reasonable; look for facts, and show leadership.

Thank you.

[The prepared statement of Mrs. Schell appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Mr. Rutherford.

STATEMENT OF CLYDE E. RUTHERFORD, PRESIDENT, DAIRYLEA COOPERATIVE, INC., CHAIRMAN, NORTHEAST FARM BILL COMMITTEE, AND MEMBER, EXECUTIVE COMMITTEE, NATIONAL MILK PRODUCERS FEDERATION

Mr. RUTHERFORD. Mr. Chairman, members of this committee, we very much appreciate your coming to the Northeast to hear our viewpoints on the 1985 farm bill.

One of the best kept secrets of our time is the fact that agriculture is the largest single industry in the Northeast. It is the largest industry in New York State, which is usually viewed primarily as an urban industrial-type State.

In the Northeast, we have been working together for a period of time, with many farm organizations. I hope that before you, you have a list of what we call the 1985 Farm Bill Committee, which represents organizations which, in retrospect, reflect perhaps 90 percent of dairy farmers in different ways from the total Northeast.

As an elected cooperative leader and a representative to both regional and State agriculture organizations, my concerns about the up-coming farm bill occupy a great deal of my time. As a dairy farmer producing 1.4 million pounds of milk annually, I also have a very direct and personal stake in the outcome.

AgFax, an economic service of the Farm Credit System, that has an ongoing evaluation of many good dairy farms in this area, the Northeast, recently issued a report which said that these farms are currently losing about 32 cents a hundred weight. You might reasonably ask, how do they stay in business. And the answer is, they are basically paying their bills and meeting other obligations, but are receiving little or nothing for their investment or family labor.

Let me stress that I am not talking about borderline operations. I am talking about farms that are progressive enough and well-managed to be rated as viable dairy enterprises.

Economists look at the overproduction of milk, as measured by commercial use, and they see two lines on a chart, one rising faster than the other. They search for factors causing overproduction, and then they propose measures to change these factors in a way that will bring production more nearly in line with consumption. It leads to a very logical and classical solution, which would get an A in any economics course in any college in this country.

Lower the farm milk price and the weakest and most inefficient farms will go out of business. As things now stand in the dairy industry, that modern version of the theory of natural selection is seriously defective. We have passed the stage where we can serious believe that only the fittest will survive. Many good and productive dairymen, particularly young dairymen, with not much equity, will fail. Price is an effective deterrent to production, but it is not really selective in how it achieves its goal.

I am not trying to make a case for not using price as one of the factors in the Dairy Program. Obviously, that is necessary, and is being used, as authorized in the Dairy and Tobacco Adjustment Act of 1983. I believe, however, that those who would simply keep racheting down the farm price of milk without looking ahead to its long-term effects, are not doing consumers a favor. The day that production and consumption are in balance, the price of dairy products will be substantially higher than at present. That is also an economic fact of life.

We farmers are prepared to do our share to cut the deficit, because farmers are among the most severely affected by it. Even while we strongly disagree with what some people may define as "market-oriented" or a "free market," we are moving steadily toward a more direct tie to a supply and demand balance.

Many of us believe that the real issue is the timeframe within which this transition must be accomplished. Most farm organizations are pushing for a formula that maintains the present support price, and the purchase program for our industry, but ties it to a supply-demand and cuts back on the support price, if the Government rate of surplus purchases goes beyond specified levels.

Most of the economic factors are in place to bring about a reduction in milk production, and a consequent reduction in the cost of support purchases. What we must avoid is any hasty legislation that attempts to force the phaseout of dairy farmers virtually overnight. Anyone who has looked at the figures, knows that farmers of all types have been diminishing in numbers since the turn of the century.

New York State used to have over 50,000 dairy farmers, and many of those sitting in this room remember it. Today we have 15,000, and of that number, probably a third to half will be gone by the end of this century. The agribusiness structure that grew up to support those 50,000 dairy farmers in New York State has kept pace with that farm scene.

For businesses that depend on production agriculture, including cooperatives, the 1985 farm bill looms very large as a barometer for the future. We must convince the American public that the money spent on agricultural programs is critically important. We can argue about how much has to be invested by the Government, but we must not permit programs that have contributed to building the strongest and most productive agriculture in the world, to be undermined, perhaps even destroyed.

Because we have had a long period of food surpluses, and because Government financial involvement has increased substantially in the last few years, the American public is being lured into a frame of mind that says, we've always had plenty; we always will. But that's not true. We have always had plenty because, for the lifetime of most of us, the American farmer, aided by his cooperatives, and Government, has been able to withstand the pressures of weather, roller coaster prices, uncertain markets, et cetera.

In 1970, the net income of U.S. farmers totaled about $10 billion. Net income peaked in the early 1970's to about $35 billion. Today, it is estimated to be less than the 1970 figure. It is a situation that has been with us for many years. Simply stated, the farmer has not been able to keep a reasonable part of his improved productivity, most of which has occurred in the past 25 to 30 years.

How many companies would invest billions of dollars in equipment and plants, and continue to produce, when the investment returned nothing?

I conclude these comments by suggesting that the future is not looking good for thousands of farmers. However, if we try to separate out the human factor, which I find difficult to do, the future can be very good for those in production agriculture and their cooperatives, who make the necessary adjustments to survive what everyone is calling a difficult transition. The term "difficult transition" is a favorite phrase these days for Government employees and economists. It is not too popular out on the farm. Getting from 30,000 feet in the air to the ground is a difficult transition, if your plane is disabled.

A farm bill that will work, at least for dairymen, is one that modernizes our support price structure but doesn't destroy it; that ties production to consumption, but doesn't try to reach that desired goal in 1 or 2 years. It will be a bill that avoids punitive actions in the name of balancing the budget, a bill that recognizes directly or indirectly, that agriculture is not just figures: it's people, families, local economies, jobs, commerce and taxes, and also, food; food grown by less than 2 percent of the population to feed not only themselves but 98 percent balance of the population.

Looking at that perspective, there is not a very large margin for error in writing the 1985 Farm Bill.

Thank you.

[The prepared statement of Mr. Rutherford appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Mr. Scholten, we would be happy to hear from you at this time, sir.

STATEMENT OF JACOB J. SCHOLTEN, DAIRY FARMER, BALDWINSVILLE, NY

Mr. SCHOLTEN. My name is Jake Scholten, I'm a dairy farmer, and farm a part of it with my sons.

I want to thank you, Mr. Chairman, and the members of the panel, for bringing democracy a little closer to home. I am a former democrat but, for the record, I don't see eye to eye with the recommendations of Mr. Griffin, president of New York State Farm

Bureau. One reason that the Government programs haven't worked in the past, is due to the fact that, in the past and present, we are brainwashed by experts at our colleges and universities to produce more per acre, cow and men, without giving consideration for supply and demand.

Today, they are forcing down our throat their wisdom, that we need a hormone-fueled super cow, but they don't know what we're going to do with the rivers of milk this cow is going to produce. But, therefore, they project, and recommend that 20 to 25 percent of the dairy farmers have to go out of business to make room for the super cow.

As such, it seems to me, they are just as bad as the Communists, because from within, they are destroying the freedom to be self-employed dairy farmers in the land of the free. That means a great deal to me, because I came in this country as an immigrant and had the opportunity to explore the American dream.

Therefore, Mr. Chairman, I urge you to include in the 1985 dairy bill, a dairy bill to condemn and withhold any Federal payments for such research now and hereafter, that doesn't take into account, supply and demand, and endangers economic security. In addition, I don't believe in any diversion programs, because it is unfair and unjust.

In concept, I support H.R. 1965, introduced by Congressman Emerson, provided that the trigger formula used in the bill is applied at regional levels, subject to the amounts each region sells to Commodity Credit Corporation. And because of ever increasing production, as I mentioned before, I urge you to include in the bill, standby quotas, regionally applied, subject to Commodity Credit purchases.

They tell me regionalism politically doesn't fly. But I ask you, if we have to believe in constitutional government, such government should include fairness and justice. For example, California dairy farmers have increased their production again over 6 percent in comparison over 1 year ago. Therefore, I ask you, is it fair that we in the Northeast have to pay for their overproduction?

I also urge that you do something about the overvalued dollar which has a monopoly over foreign currencies, and has affected, very much, exports and trade deficits. I'd also like to ask you to include some commonsense and some fairness for American industries and farmers in relation to the import and export policies and regulations.

In addition to these, Mr. Chairman, we hear a great deal this morning again about free enterprises, free markets, and also the word protectionism. I do believe in protectionism at home goal, before protectionism to foreign countries who are subsidized by the socialistic governments, and are farmers from the day they are born until the day they die.

After all, we the people at home, are the ones that have put you people in office.

I believe that this is all necessary if we're going to come up with a farm bill that provides the so-long awaited economic stability and better prices for the farmers and their families.

Thank you, Mr. Chairman.

The **CHAIRMAN**. Now we will come back to our colleagues from the New York State Senate, the chairman of the Agriculture Committee, Senator Riford, and the ranking minority member, Senator Hoffman.

Mr. **RIFORD**. Mr. Chairman, in the event the hearing gets dry, I thought the committee might welcome some New York State wine.

The **CHAIRMAN**. Thank you very much. Heron Hill [name of the wine]. My name, Garza, means heron or crane.

Mr. **RIFORD**. Isn't that a coincidence, sir.

The **CHAIRMAN**. And the coat of arms of our family has this heron or crane, so I'm very appreciative, and will share it with my colleagues, of course.

Thank you. We'll be happy to hear from you, sir.

STATEMENT OF LLOYD S. RIFORD, JR., CHAIRMAN, NEW YORK STATE SENATE COMMITTEE ON AGRICULTURE

Mr. **RIFORD**. Thank you, Mr. Chairman. My statement is there, and I'd appreciate your making it part of the record.

I'm grateful, and speaking on behalf of my colleagues, Senator Hoffman, and the Senate Agriculture Committee, we're grateful to you and Senator D'Amato, and Congressman Wortley for having this hearing here today.

I just would mention three major points. I think that all of the dairy farmers in the United States would be materially aided by attention being paid to this casein problem that has been alluded to. Last year, the Commodity Credit Corporation bought 8½ billion pounds of milk. Last year, we imported 192 million pounds of casein which translates to 6.3 billion pounds of milk. So that we imported three-quarters of our Commodity Credit Corporation purchases.

Casein is considered, as you very well know, by the customs people as a chemical. A number of people feel that if its designation were changed to a dairy product, and it came under the cheese quotas you alluded to, or the dairy quotas, it would go a long way toward dealing with the problem.

In addition to that, Congressman Wortley and a number of others have joined in the sponsorship of H.R. 431, which addresses the problem, and we understand that Congressman Charlie Rose is introducing or contemplating similar legislation. So we're very hopeful that this problem can be addressed.

I join with others who have urged action on the importation of Canadian vegetables, which are produced and sold with a subsidy from Canada which permit them to be sold at less than their market value, and which have created a major problem for our vegetable farmers in New York State.

And, in addition, Mr. Chairman, I'd like to ask for continued support, at the congressional level, of the work of the Soil Conservation Service. Last year, this service spent $1.5 million in New York State, and of that $1.5 million, $1.2 million was spent for agricultural work. And it's a very necessary part of the agricultural scene in New York State, and I hope can be continually supported.

I appreciate the opportunity to participate in this hearing. Thank you, again, for coming to New York State.

[The prepared statement of Mr. Riford appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, very much, Senator.

We'll be happy to hear from you at this time, Senator Hoffman.

STATEMENT OF NANCY LORRAINE HOFFMAN, RANKING MINORITY MEMBER, NEW YORK STATE SENATE COMMITTEE ON AGRICULTURE

Ms. HOFFMAN. Gentlemen, we all appreciate your presence here today.

I would like to comment, briefly, on the issue of regionalism and protectionism that's come up. I'd like to share with you some of the concerns that have been addressed to me, as I've held some hearings not unlike these around the State, which deal with the future of the family farm in New York State.

In an effort to try to educate some of our more urban colleagues, we have convened these task force meetings in Syracuse and in Albany, and we've scheduled more in other parts of the State, and it is amazing the kind of input that we are getting from people who are engaged in agriculture, directly and indirectly, and the level of frustration that they are experiencing.

And they are all intoning one very important fact, that I think, as a Nation, we all have to address. The critical issue before is, are we going to intercede now and protect the family farm as we know it, make it possible for another generation of Americans to enjoy the opportunity to engage in a family-operated farm, or are we going to lose that opportunity for all purposes for the future.

It's that critical a question, and it has to be addressed as a national issue by your committee, by our President, and by the commissioner of agriculture, with the same degree of concern with which we face national defense issues, with which we address the civil rights questions of the sixties. The crisis of our future of agriculture cannot be put off any longer.

The short-term needs are here, but the long-term situations have to be developed now. Now, you've already heard from a number of people in agriculture, and from Farm Bureau representatives about how New York State has been hurt through the recent programs and the quota system, and the Diversion Program.

But what we have a great deal of difficulty comprehending in New York State is, how can we accept a national program that has so disproportionately harmed our No. 1 industry in New York State. When Senator Riford and I went to Washington a few months ago, to the National Conference of State Legislatures' Farm State Conference, there were a number of our colleagues there from other States, that were startled to see two New York State senators. There's a national perception that we are a manufacturing State. That New York City is the hub of this State, and the rest of us all live in some little suburbs or some extension of the city.

The reality is that agriculture is our No. 1 industry and dairy is the biggest part of that. Our farmers are feeding a large portion of this State, and yet, they are not able to feed enough. We imported

20 percent of our dairy products last year, at a time when a Federal policy told our farmers that they were over producing.

So, your comments, Mr. Chairman, that the program is working on a national level, simply don't mean much to New York State farmers. They need some assurance that whatever national program is enacted, will not be at their expense.

Now, New York State does not engage in treaties with Canada and other foreign nations. And yet, it is the casein problem which originates in large part in New Zealand is that correct, Senator Riford?

Mr. RIFORD. That's correct.

Ms. HOFFMAN. And the vegetable problem which originates in Canada, which has terribly decimated two of our industries. We had a series of correspondence from our agriculture commissioner with the Canadian consul in which he addressed the tremendous decline in some of our vegetable production, as a result of Canadian imports. The Canadian consul returned a reply, very carefully written, to show what the impact had been, nationally, and how, in fact, Canada imports more American products, as a whole, than do they export vegetables.

That means nothing to the Canastota vegetable grower who has now been forced completely out of the carrot business and is about to lose the potato and onion market, as well. We have to appeal for that type of protectionism.

Now, as ultimate justification, I have to tell you what the farmers asked us. If this Federal Government so prioritizes the tobacco industry of the South, a crop which has been demonstrated to be harmful, one of the most deadly problems that we face right now is cancer caused by ingestion of tobacco, if we can subsidize and regulate that industry, for the protection of the region, surely we must, as a nation, be able to do the same for our dairy farmers and our vegetable farmers in the northeast.

I'd like you to know the personal hardship and the economic hardship that hits small towns in New York State when farms go under. I've had farmers tell me what their farms are assessed at, and how much income they used to have. Farmers will tell me with great pride how they've raised six or seven children, put them through the public school system and been an important part of their community up here in the Central New York area.

Now, they are barely breaking even, and many of them have been faced with the choice of selling and getting out, because their children are not in any way interested in taking over the farm. But the more critical issue for the towns in which they reside is, who is going to provide the educational opportunity for the next generation of children, if that farmer cannot afford to pay the school tax because he's not earning a living, that robs the educational opportunity of everybody in that town.

Ultimately, they appeal to the State for assistance, and we will then, in turn, appeal to the Federal Government. It's a vicious cycle; we've seen it in industrial collapse; we're experiencing it now in agricultural collapse. We recognize what the process is, and it's going to take long-term, not band-aid, solutions.

One of the most tragic elements of testimony at our task force, so far, was when a gentleman stood up and as he began his testimony, he said—much as we have all done coming here before you—how pleased he was to be able to testify at a task force on the future of the family farm.

And then he choked up a little bit, and he said, I'm a family farmer—or, at least, I was. My wife finally said, I've had enough. If you want to engage in this type of living, you can just go ahead and do it by yourself.

We are seeing a decline in a way of life in this country and we can't afford to let it collapse.

The **CHAIRMAN**. Thank you, very much, senator. We appreciate both of you being here.

I would add one comment. I'm not here to discuss the pros and cons of the Tobacco Program, but it is a no cost to the Government program. Second, and very respectfully, we are a federation of States. My people ask me, why should we pay taxes to bail out New York.

In the city of Mission, TX, where we have no city buses, they ask why should I vote for mass transit. I say, because we are a federation of States; because we try and help those in need, sometimes to the detriment of others. Being an American and receiving the bounty of this great country we must put together balances now and then. Not that we don't have the responsibility to see that no one suffers; not that we don't have the responsibility to try and equalize, but, how do I explain mass transit, and how do I explain a bailout of New York. We are one people, and we have the responsibility to be as equitable as possible, but we're still a federation of States.

Ms. **HOFFMAN**. I think all of the New York State farmers would agree with you, but they feel that the balance has shifted just a little bit unfairly on them this year.

The **CHAIRMAN**. And we're going to try and help them.

Mr. **RIFORD**. I think we could relate to that, sir. We have New York City as part of New York State so that——

The **CHAIRMAN**. We're running a little behind schedule, so I'm going to ask the next panel to cooperate with us, to the extent possible, and shorten their presentations.

Mr. Runge, Mr. Patsos, and Mr. Cummings.

We'll begin with you, Mr. Runge. Do you pronounce it Runge?

Mr. **RUNGE**. Yes.

The **CHAIRMAN**. We have a town in my district by your name, Runge, in the upper part of my congressional district. We'll begin with you, sir.

STATEMENT OF JOHN W. RUNGE, DAIRY FARMER, SYRACUSE, NY

Mr. **RUNGE**. I've been a little confused since I got here with respect to the program. I've written testimony. And I was planning on coming and just summarizing what I've written. I'll give you copies of it when I'm through.

The **CHAIRMAN**. Thank you very much. It will appear in the record.

Mr. **RUNGE**. My father made the appointment and then told me to come, because I was better at making a fool of myself than he was. So, to summarize, I've included in my testimony a dairy plan that was developed by the 1985 Farm Bill Committee, and I just wanted to give some background to the committee.

Two years when the Diversion Program was developed, a group of us in Onondaga County felt that we'd been let down by the organizations that we belonged to. So, we held what we called the Dairy Leaders Forum, here in Syracuse and invited all of the organizational presidents or representatives that we could get to come, to get them together to develop a plan for the 1985 farm bill. And after that meeting, we also urged them to continue meeting. And they had developed a plan which is in my testimony that I hope you will give serious consideration.

The other things that I've mentioned in my testimony were the need for an agricultural policy that will work longer than 4 years. A 4-year farm bill makes no sense to me when I have to look into the future 20 to 30 years to get a payback for a good number of my decisions.

So, I think we should try to develop a farm bill that would look further into the future for these programs.

Another thing that I'm sure you may hear testimony with respect to Bovine growth hormone. And I'd like to say that I don't believe as dairy farmers we can afford to ban this hormone because you won't be able to stop the farmer in Canada, the farmer in New Zealand or the farmer in Europe from using it. And I feel that it's bad enough that these farmers are going to get Bovine growth hormone a couple of years before I will. And I'll have to compete against it for a period of time, while it's tested in this country.

If anything, I would urge you to speed up the testing process. I know in Vermont, your committee heard some testimony against the tax shelter farm.

I am against the change in the laws that would outlaw or abolish the tax shelter farm for three reasons.

First, these tax laws also work to help the farmer balance his income from good to bad years. Second would be that the equine industry in the Northeast depends on these nonfarm investors. The third is that the history of all dairy cattle breeds and especially my breed, the Holstein, shows positive influence of the cattle breeder who did not have to rely on the cow to make a living.

Basically, that's the end of my testimony. I think you for the opportunity to testify in front of your committee.

[The prepared statement of Mr. Runge appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Senator D'AMATO. I just thought you might like to know, we previously touched on the point to which you're referring which was in the area of a tax shelter with respect to farms. There is quite a divergence of opinion on that.

So you raised a very interesting point.

The CHAIRMAN. Next is Mr. Patsos.

STATEMENT OF JAMES PATSOS, PRESIDENT, NORTHEAST DAIRY COOPERATIVE FEDERATION, INC.

Mr. PATSOS. I'm James Patsos, and I am president of Northeast Dairy Cooperative Federation, better known as NEDCO, with offices in Syracuse. I am also a full-time dairy farmer with my son in Waterville, NY.

I make this statement on behalf of our membership located throughout the New York-New Jersey milkshed area. NEDCO presently operates three dairy plants under the New York-New Jersey Order—a fluid bottling plant located in Fultonville, NY, and two manufacturing plants—one located in Fraser, and the other in Middlebury Center, PA. NEDCO is a major handler and supplier of milk in this market, and therefore has a vital interest in pending dairy legislation as it affects our cooperative members and their plant operations.

It is imperative to dairy farmer long range planning, that Congress enact new dairy legislation in 1985 that will give our members and other dairymen greater assurance of price stability, and an improved supply/sales balance in the marketplace.

First and foremost, dairymen through the Northeast are united in support of continuing basic dairy price support legislation and continuance of the present system of Federal milk marketing orders. Both programs afford the price and marketing stability required and are of great benefit to consumers as well as producers. Without these basic farm programs, milk prices would be extremely erratic and supplies would be disrupted. No action should upset these basic systems that have worked well in the past, and have equal merit for the future, so long as we are dealing with a seasonal highly perishable product.

We do, however, urge the adoption of a proposal of the National Milk Producers Federation, of which we are a member, to modify the formula by which dairy price supports are computed each year. We agree with National Milk Producers that a reversion to systems of pricing under the 1949 Agricultural Stabilization Act next October would not be appropriate. It is time to act to establish a more realistic pricing formula employing economic factors including measures of specific costs of dairying and automatic adjustors to make sure that pricing is consistent with gains in productivity and changes in the supply/demand balance as is measured by level of Government purchases. An automatic formula would remove the uncertainty in milk pricing, and would give the necessary signals to producers well in advance. It would assure adjustments from time to time to prevent burdensome surplus in line with budgetary constraints.

We know that future price reductions, if too large or radically applied, will greatly hasten the trend to fewer dairy farmers in the Northeast. Great care needs to be taken with respect to any possible milk diversion or different pricing program, that it does not result in excessive loss of either producers or processing capabilities here in the Northeast that would in any way jeopardize future supplies. We need to assure that the Northeast continues to hold its share of the total national market.

We believe the National Milk Producers Federation proposed economic formula will establish realistic milk prices throughout the United States, and is in the best interests of our membership.

Others will have already entered evidence for this hearing as to the specific technical aspects of the National Milk Producer Federation's economic formula, so we do not need to repeat it here. However, we do want to take note of the fact the formula would result currently in a basic support price of $11.71 after all adjustments, and this appears to be consistent with balanced policy objectives, in our opinion. The NEDCO also feels that greater emphasis needs to be given to increased investment in dairy research, advertising, and general dairy promotion efforts through the National Milk Promotion and Research Board. The best solution to overproduction problems in the long run, is selling, and dairymen have not invested in this marketing tool nearly as much as our competition. Accordingly, NEDCO would support legislation which transfers a part of any future price support reduction to such an effort.

I would also like to remark about the proposal by Mrs. Schell concerning the quota program. I recently had a son starting dairying on his own, through raising several hundred Bonison cows. If he were to go into an operation under a quota system, it would have cost him another $70,000, in order to go into the system. And I believe that's basically impossible to start young farmers in a dairying system under a quota program.

Thank you for the opportunity to speak today.

The CHAIRMAN. Thank you very much, sir.

Mr. Cummings, we will be happy to hear from you.

STATEMENT OF DAN CUMMINGS, DAIRY FARMER, MARIETTA, NY

Mr. CUMMINGS. Thank you. My name is Dan Cummings. I'm a dairy farmer from southern Onondaga County. I'm here today to talk to you about our ever increasing farm problem. I do not support any policy of the co-ops or farm organizations. My ideas are simple, commonsense solutions to the problem, not political or special interest group solutions.

My proposition is of a threefold nature. First, when you consider the farm bill, you must take into consideration that any business, if it is to be viable, has to re-coup its operating costs plus a small profit. This practice is the same in agriculture. If we can't make the profit there's not going to be any food.

Second, to insure profitability, commodity controls will have to be enacted. We can not have the financial burdens of the so-called surplus foods that we now have. This can be done in many forms from the Federal level to the State level to the county or even down on the farm.

Third, to make a continual profitable agrarian society, imports will have to be severely reduced. We can no longer afford to have our markets flooded by foreign imports. This is especially true while we have a strong dollar.

If you put into effect these ideas in the writing of the 1985 farm bill, the precarious slide that the farm sector has been on will stop. Two strong examples of our depleted agriculture system is the Farmers Home Administration's increase of operating loans from around $800 million in 1981 to around $3 billion in 1985, with no guarantee of repayment. Farmers Home Administration is lending money out at a rate, because none of the other banks will take these farmers up. Also, the lending institutions, including P.C., Farmers Home, the banks, insurance companies are now holding around $22 billion worth of productive farmland. This is the land that has been lost by the farmers during the Reagan administration.

You members of the House Agriculture Committee have a very hard job ahead of you. The policy that you set will determine the future of agriculture for decades to come. The right policy that ensures a steady climb in strength of agriculture also insures a strong and healthy America. The wrong policy that places special interest groups such as farm bureau ahead of the basic rights of farmers and consumers will help continue our weakening of our ability to produce food. That type of policy in a decade or so will put us in the same road as present day Ethiopia.

These are your choices clear and simple.

Thank you very much.

The **CHAIRMAN**. Thank you very much. We appreciate your cooperation and your excellent suggestions. We're pleased to have you here. We will recess the committee until 2 p.m.

[Whereupon, at 12:20 p.m., the committee recessed, to reconvene at 2 p.m., the same day.]

AFTERNOON SESSION

The **CHAIRMAN**. Mr. McCann, we will hear from you at this time.

Mr. **McCANN**. All right. Thank you, Mr. Chairman for coming to Syracuse.

STATEMENT OF JOHN W. McCANN, MEMBER, NEW YORK STATE ASSEMBLY

Mr. **McCANN**. Ladies and gentlemen, good afternoon. I am New York State Assemblyman John McCann. A veterinarian by profession, I serve as a member of the assembly agriculture committee, the assembly subcommittee on agribusiness, and I am ranking Republican member on the assembly task force on farm, food, and nutrition.

I represent the 111th assembly district covering Madison and parts of Otsego and Oneida Counties. It is an area heavily dependent upon our agricultural industry, particularly dairy, cash crops and vegetables.

I fully concur with the testimony presented this morning by my good friends and colleagues, Assemblymen Coombe and O'Neil.

Although I am very concerned about the developments on dairy policy, my remarks today are of another nature. The problem I speak of today is not a new one, but one that has taken me to Washington, DC on numerous occasions, as you are aware, Mr. Chairman. It is one that impacts the very livelihood of vegetable growers from New York and across the northern tier of this country.

The combination of agressive Canadian agricultural policy and the United States-Canadian trade practices are placing unfair economic and competitive pressures on our fresh vegetable growers in the Northeast. We are concerned about the short-term and long-term ramifications of this problem to our farmers and our consumers.

The nature of the problem is that which the Tariff Act of 1930 and the GATT were meant to address. These mechanisms are now cumbersome and prohibitively expensive. When responding to problems involving perishable agricultural commodities, they are absolutely inefficient and ineffective because of the cost and the amount of time it takes to get relief. If corrective action occurs at all, it is not until well into the next growing season, by which time the damage has been done.

Briefly, let me illustrate the difficulty that New York State farmers face: Canadian fresh vegetable farmers have dramatically increased their presence in traditionally New York markets in recent years. For example, Canadian potato exports to the United States have increased over 683 percent between the 1975 crop year and the 1981 crop year, an increase of some 424 million pounds of potatoes imported into the United States over a 6-year period. Similar examples can be cited for other fresh vegetables such as carrots, onions, cabbage and cauliflower. In a news release from Dennis Trimbell, the Minister of Agriculture and Food in the Province of Ontario, dated October 25, 1984, he stated that "* * * our American exports from 1980 to last year increased some 37 percent, making the United States the fastest growing, as well as our largest market." He also stated that, "currently agriculture and food exports from Ontario generate $1.6 billion a year in sales. Nearly 60 percent of those exports are to the United States."

This flooding of the market is not the basic problem. Our farmers are willing to compete with Canadian farmers on a fair basis, but the competition has been anything but fair. Canadian vegetable growers have received extensive government subsidies that enable them to sell below costs of production in the United States.

A brief listing includes stabilization payments, storage, construction grants on a 3 to 1 basis, farm development programs, low interest loans, Government supported crop insurance, and transportation subsidies. In addition, there is a very favorable exchange rate working to their advantage. The Canadians have capitalized on the exchange situation and then multiplied that advantage through massive subsidy programs.

We cannot allow this type of advantage to continue, for it has already driven many growers out of business and many more will follow.

We need your support to enact "fast track" provisions in our trade laws to enable our producers to respond quickly when their livelihood is threatened. The Canadian Government has a "fast track" system of their own, which enables them to impose restraints in a matter of days, at no cost to the Canadian farmer. Our system is prohibitively expensive and takes many months to implement.

In closing, I would urge you to consider the United States as a leading exporter of agricultural commodities, and draft the farm bill to focus on our export market as well. High loan rates for export crops have priced us out of the world market. In 1980, experts projected that in 1985 agricultural exports would total $75 billion. We now are expected to export only $34.5 billion worth of agricultural exports in 1985.

We need to lower the loan rates on our export crops to regain our prominence in the agricultural export market and restore our balance of trade.

Thank you, Mr. de la Garza, for holding this hearing at the request of assembly Republicans and I thank you for the opportunity to testify. And I'd welcome any questions.

The CHAIRMAN. Thank you very much. Mr. Wortley, do you have any questions?

Mr. WORTLEY. No.

Mr. Chairman, I am sorry. I wasn't here when Assemblyman McCann arrived. Assemblyman McCann is a long-time and a very dear friend of mine and he certainly is one of the most knowledgable representatives in the New York State legislature, when it comes to agricultural problems. Jack's major concern today, one of his major concerns, of course, is how we're going to give an export opportunities. And the Chairman and myself give you a good, sincere pledge that we're going to try and get this Federal budget under control. And when we get the budget under control, that will reduce the interest rates and that will restore the value of the dollar to somewhat normal—instead of—it's overinflated by 30 percent, plus right now.

Mr. McCANN. It is imperative that we bring down that deficit, no question.

Mr. WORTLEY. You work out of your New York State Assembly. We'll work out of Washington, right, Mr. Chairman?

The CHAIRMAN. Thank you, Judge.

Mr. WORTLEY. That correction—I would, in order to keep the needed bipartisan or nonpartisan—we came at the invitation of everybody, not to the assembly Republicans.

The CHAIRMAN. I know I wrote in late July. Thank you.

Also, I would like to say that on my first day in Congress, January 4, 1965, I introduced a balanced budget amendment, because in Texas we have a constitutional balanced budget amendment. I figured if it was good enough for Texas, it ought to be good enough for the United States. Few were interested and even fewer cared. And I couldn't get hearings on the proposal. Nobody paid any attention. I have introduced the amendment every year since, but this year for the first time I feel encouraged, because 20 freshmen have asked me to join with them in introducing a balanced budget amendment. Even the President got on the bandwagon and tells me that we should balance the budget. That is the first bill that I introduced in Congress 20 years ago and only now are people finally coming around to my way of thinking, and I appreciate it.

Mr. WORTLEY. Mr. Chairman, you're a man ahead of your time and you always have been.

The CHAIRMAN. Thank you very much, Assemblyman McCann. We appreciate your speaking at this hearing and value your concern.

Mr. McCANN. Thank you, Mr. Chairman.

The CHAIRMAN. I have been informed that Mr. Earl Forwood, president of the Eastern Milk Producers Cooperative, has a travelers problem, and if the other witnesses concur with me, we'll hear from him at this time to accommodate his schedule.

Mr. Forwood.

STATEMENT OF EARL R. FORWOOD, PRESIDENT, EASTERN MILK PRODUCERS COOPERATIVE ASSOCIATION, INC.

Mr. FORWOOD. I thank you for giving me this time. Thank you, Mr. Chairman, for coming to Syracuse to listen to us.

My name is Earl Forwood. I operate a dairy farm in Hop Bottom, PA, and am the president of Eastern Milk Producers, also a member of the National Dairy Promotion and Research Board, and serve on the board of directors of the National Milk Producers Federation.

My statement today is made on behalf of Eastern Milk Producers and the cooperatives affiliated therewith. Eastern et al. is a regional cooperative with over 4,000 dairy farmer members residing in a nine-State area throughout the Northeast and Middle Atlantic States. The association markets its members' milk to handlers regulated by five Federal milk marketing orders. Its sales exceeds 2 billion pounds of milk a year, at a value of nearly $1 million a day. In addition, the association's dairy products division distributes a wide range of farm and dairy product items to producers in a 12-State area in this part of the Nation.

Eastern plays an active role in the development of agricultural policy positions, particularly as they relate to the dairy industry. The association is an active member of the National Milk Producers Federation, the oldest and largest farm commodity organization representing dairy cooperative marketing associations owned and operated by dairy farmers throughout the Nation.

In addition, Eastern is a member of the 1985 farm bill committee of the Northeast. This organization is composed of nearly all of the dairy farmer cooperatives in the Northeast, Agway, Inc., the northeast regional units of the National Farmers Organization, the Pennsylvania Farmers Union, the Pennsylvania State Grange, and the Vermont Farm Bureau. The New York State and Pennsylvania State Farm Bureaus also have participated in the committee's deliberations.

The object of this regionwide coalition of dairy farmer cooperatives and general farm organizations have been to forge a unified policy on the milk price support and related dairy provisions of the 1985 farm bill. In its broadest aspects, that objective has been met in spite of diverse underlying philosophical tenants of the member associations. Moreover, its position is in concert with nearly all of the elements of the program supported by the National Milk Producers Federation.

The Dairy Price Support Program. My comments today are directed primarily toward what Eastern and its affiliates believe is the most appropriate program for providing the necessary support of milk prices over the next 4 years which will restore a reasonable balance between milk supplies and commercial sales without destroying the dairy industry in this important dairy region or in the Nation as a whole. Time does not permit a detailed discussion; hence, I will confine my remarks to basic elements of our policy position. We will be happy to furnish additional, detailed information as this distinguished committee desires, at a later date.

One, we are convinced that the dairy price support divisions of the 1985 farm bill should provide for a purchase program as in the past, and not convert at some later date to a target price—deficiency payment program, as proposed by the administration. The purchase program has worked well and has provided the necessary stability in the market prices of milk and dairy products which has benefited the public at large with an adequate supply of wholesome dairy foods at reasonable prices. It has only been in the past few years that excess resources have been drawn into dairying, resulting in a burdensome and costly surplus. Correction of the overabundance problem is well along already. This is a view held uniformally by associations representing dairy farmers both here in the Northeast and the Nation as well. Moreover, we strenuously opposed any action designed to phase out the Dairy Price Support Program. Such irresponsible action clearly would be contrary to the public interest.

Two, we strongly support the use of a dairy specific pricing index, such as that proposed by the National Milk Producers Federation, as the standard for establishing appropriate milk price support levels. Further, we suggest that manufacturing milk prices during the 3-year period of 1976–78, which was a fairly balanced period for milk supply and demand, be used as the benchmark for calculating the index price. We believe that this procedure would be more responsive to changes in the factors associated with milk supply and demand than would a 3-year moving average pricing technique.

Finally, we recognize that no formula can adequately reflect all of the factors that impact on the supply and demand for milk and its products. Hence, we support the application of a supply-demand adjuster to the prices generated by the price index. It should move the index price up or down in relation to annual net purchases by the Commodity Credit Corporation under the program. The adjuster proposed by the federation has been thoroughly studied and we believe would work very satisfactorily. It is very similar, in concept, to the adjusters being proposed by the American Farm Bureau, and others.

Federal Milk Marketing Order Programs. The Federal milk marketing order program has been an integral and an indispensable factor in the Nation's milk price structure for nearly half a decade. It has assured consumers of an adequate supply of fresh fluid milk and dairy products at reasonable prices. It provides for equitable payments to producers for the milk that they market and assures an equitable raw product cost to milk handlers competing with others in a given marketing area. The continuation of this program is critical to the continued viability of the Nation's dairy industry. We strenuously oppose any amendments to the law authorizing such orders that would undermine their effectiveness.

Since 1970, the law has provided specific, but temporary, authority for seasonal base excess and "Louisville-type take-out pay-back pricing provisions". They are designed to provide an incentive to producers to level out their production patterns more in line with market demand. The mismatch of seasonal milk production and consumption patterns is a serious problem in the Northeast region as it is in some other regions. We urge that the authority for seasonal pricing plans be made a permanent part of the law authorizing milk marketing orders.

We also support an amendment to the law which would specifically authorize order provisions for payments to qualified organizations that provide marketwide services that benefit all producers shipping milk in a particular market.

The National Dairy Promotion and Research Program. The Dairy and Tobacco Adjustment Act of 1983 authorized a nationwide program of dairy product promotion, research, and nutrition education, financed by a mandatory 15-cent-per-hundredweight assessment on all milk marketed by producers in the contiguous 48 States. Preliminary research on its effectiveness indicates that, after just 4 months of advertising efforts, this new program already is achieving its objective. Consumers have become more aware of the nutritional value of milk and dairy products and are responding positively to the advertising messages. We commend the Congress for enacting this legislation and support the continuation of the program, provided it is approved by dairy farmers in the forthcoming nationwide referendum.

In summary, there are, of course, many other necessary elements of public policy on dairy programs, such as the nutritional assistance programs, Public Law 480, section 22, import controls, milk protein import restrictions, and the dairy indemnity program, all of which we support. Time today, however, does not permit me to address these vital issues.

On behalf of Eastern and its members, I want to sincerely thank this distinguished committee for taking the time to come here by Syracuse, NY, to listen to our comments. We hope they will be helpful as you forge the dairy provisions of the 1985 farm bill. The future of our industry and its ability to provide an adequate supply of nutritious dairy foods to the American public at reasonable costs is indeed in your hands.

Thank you.

The **CHAIRMAN**. Thank you very much. We appreciate your fine statement. The next witnesses will be Mrs. Evelyn Mierek and Mr. Roger Moseley.

We'll be happy to hear from you now, Mrs. Mierek.

STATEMENT OF EVELYN M. MIEREK, DAIRY FARMER, WESTERNVILLE, NY

Mrs. **MIEREK**. Mr. Wortley, chairman, members of the committee, ladies and gentlemen, it's remarkable that I stand before you speaking on behalf of central New York dairy farmers at this House hearing on the 1985 farm bill. Only a few short hours ago, I was feeding cattle on our 200-acre dairy farm that has 130 head of registered Holsteins. After that, I got my five children off to school and prepared myself for Syracuse. I asked myself, Why? And the answer is, "Because it's my duty to." The many farmers who toil the fields and work in the barns, like my husband, cannot take the time to present their views to you. They're too busy making a living for their families. And these are the people who are directly affected by abrupt policy change.

We sat down yesterday to construct a testimony and I asked him what he felt the 1985 farm bill should contain. He answered, "They've got to get the Federal budget balanced first, but not at the expense of the farmer." Agricultural problems have expanded tremendously in the past few decades, but farm policies have not kept pace. Farm policy has remained the same since its subsidies inception during the Depression years of the 1930's. The farm problem is actually an economic problem and must be treated as such. To balance the Federal budget would mean a radical 5- to 7-percent cut in all areas. The mere 3 percent which represents farm price supports' portion is a very small dent in the large deficit.

Policymakers are reaching to find alternative approaches to alleviate some of the stress on agricultural businesses. But how is it possible to eliminate policies that took over 50 years or more to establish and expect the farmers to adjust to these drastic changes. You can't reverse policy in 6 months and let farmers hang. Granted, the established farmer of 50 years can adjust, but he's more likely to retire than anything. And who will he sell his farm to? There's virtually no market for farms. If you don't believe it, ask FmHA. Here in the Northeast, unlike other parts of the United States, the average farm is between 300 to 500 acres. Much of the land is not prime cropland because of drainage and slope. But millions of pounds of milk is the result of pasture and hay. If it wasn't for livestock farming, many acres would revert back to woods.

You ask, "How healthy is the farm economy?" The fact that every major farm machinery company, of which some have been in business for some 100 years, such as International Harvester, Allis Chalmers and Case have had troubles and John Deere lost over $20 million last quarter. This must tell you something. In New York, one out of every five jobs is agriculturally related and this amounts to 17 percent of all wages.

Everyone believes that some sort of legislation must be in the bill that permits agriculture to compete on the open market. The dollar is so high that no one can afford to buy America's products. Interest rates must be brought down and the value of the dollar, too.

Food has been cheap. Americans spend only 16 percent of their income on food. The consumer has always been the one protected and the farmer referred to as a burden. Secretary of Agriculture John Block and President Reagan say that the family farmer or the commercial farmer has no right to expect a "bailout." Then why do they feel obligated to subsidize the wealthy to produce food at a loss? People talk about subsidizing the farmer. This is by far a more costly subsidy than any agriculture subsidy has been. The Government says there is a surplus of farm products, yet it enables the wealthy to use money they would have to pay in taxes to produce products that add to the surplus, further lowering the prices for those farmers, who, on the other hand, have to make a profit. The wealthy are competing in the marketplace with the farmer who makes his profit from his business—selling his product. For an example, "Why is someone who makes money on music royalties allowed to write it off in dairying?" This is a piece of legislation that can be addressed—eliminate investment credit and depreciation on nonfarm income going into—I had put agriculture, but I didn't realize that there are other commodities in agriculture, so I'll say dairying.

And going back to the surplus of farm products—"Why is it that after working 15 hours a day to produce food, we sit down, turn on the TV and they show us people starving all over the world?" Yet, the Government tells me they don't need this food. They need my help.

Agriculture cannot be neglected. Back in the 1920's, agriculture was in a depression. The rest of the economy seemed to flourish. In March 1929, at the peak of Coolidge prosperity, President Hoover spoke of "the final triumph over poverty" and then, 7 months later, the stock market crashed. American businesses crumbled and the entire economy slumped into a depression, following agriculture. America paid dearly during the 1930's. An extremely large portion of the American public were found to be malnutritioned. They couldn't afford to eat the proper diet.

The United States has had nine major depressions. To think that this couldn't happen again is pure ignorance. The destruction of America's agriculture will not create an abundance of cheap food.

Thank you.

The CHAIRMAN. Thank you very much.

I appreciate very much your being here and the contribution of you, your husband, and your family to agriculture.

Mr. Moseley.

STATEMENT OF ROGER MOSELEY, DAIRY FARMER, BUSKIRK, NY

Mr. MOSELY. I am Roger Moseley, a working farmer out in the upper Hudson Valley, right adjacent to the capitol district, working enough so that we weren't even sure whether we could be here. But we are appreciative of your presence, and we felt that it elicited an equal commitment on our part.

We are proud of farming; we have been farming for just 5 years short of our second century, and I fully expect that we will continue past that milestone and way beyond. It seems to me that I can't improve on much of what has been said here today. I'd like to put my testimony in the form of questions, perhaps rhetorical, but I hope more than that.

What are our national farm bill goals? It seems to me one of the first questions, is there a distinction between the national good, the national goal, and that of State or commodity goals.

Has the family farm, perhaps, fulfilled its purpose to agriculture? Has the family farm perhaps fulfilled its usefulness to society? I think this is a question which we need to address, specifically, to be clear in what it is that we're considering. I might phrase it a different way: Is there a jeopardy to future American agriculture if we come to rely increasingly on vertical integration in our food production, which is perhaps the logical alternative to maintenance of the family farm. Can we draft a farm policy which creates a sympathetic environment for domestic agriculture, and yet, at the same time, can embrace other countries who have a real need to produce farm products for income.

I'd like to reiterate and accent what has been said so many times, about the Federal deficit as being perhaps the touchstone upon which all of the rest of what I spoke of, stands. And I would also like to say that I'm very gratified by the fact—I didn't know that—of your early involvement in that. I hope it isn't another 20 years before we see even more fruition.

We speak frequently of insulation agriculture being insulated from the marketplace. And I think that probably is valid to a degree, but I submit that we are not alone. We think of cargo preference laws. Is this not also insulation from the marketplace? Even the defense budget, and we don't need to belabor that one, but isn't that also insulated from the marketplace.

I don't stretch the imagination too far, I think, on that one. I would like to close by kicking the lion in his den one more time with regard to the marketplace. There was an interchange this morning. I happen to firmly believe in the marketplace, and my reasoning is this: I have more confidence in the myriad of many individuals making individual choices in the marketplace, as opposed to any kind of monolithic or bureaucratic kind of decisionmaking.

I would like to say, also, relative to things like diversion and so forth, I sense that Congress has been, and is, aware of the sensitive nature, the delicate nature which agriculture is in right now. And I am appreciative, myself, and I know many are, of the fact that Congress, the House Agriculture Committee, in particular, is loathe to take any steps which may endanger or may make worse the situation which is demonstratively poor right now.

Again, I wish to thank you.

The CHAIRMAN. Thank you very much. We really appreciate, more than you can imagine, your sacrifice to be here, and I assure you that it will mean much to the members of the committee who will have the opportunity to read your testimony as we prepare for the final drafting of legislation. We thank you.

The next witnesses will be Messrs. Albert Sweetland, David Dodge, August Anderson, Robert Donald, and Bert Morse.

Again, let me remind all of you, and other witnesses after you, if you summarize, your full statement will appear in the record. It will be appreciated if you could summarize your comments in order to expedite the proceedings.

Mr. Sweetland.

STATEMENT OF S. ALBERT SWEETLAND, PRESIDENT, NEW YORK ASSOCIATION OF CONSERVATION DISTRICTS

Mr. SWEETLAND. Thank you, Mr. de la Garza, and Mr. Wortley, for coming to Syracuse.

I'm Al Sweetland, a dairy farmer from Onondaga County, and president of the New York Association of Conservation Districts.

I'm here to speak on behalf of the State's 57 soil and water conservation districts, which are responsible for carrying out programs within each county to protect soil and water resources.

Agriculture is New York's No. 1 industry. The total market value of our agricultural products exceeds $2 billion per year. Through the national conservation programs represented by the Soil Conservation Service's presence in New York, we are currently spending less than 1 percent of that amount on programs to keep soil on New York farms.

If we consider the total income from agriculture, including farm supply businesses, food processing, retailing businesses, and farm export firms, the total figures we spend on soil and water conservation appear almost insignificant by comparison. Yet, all of this economic activity depends on conservation of our ultimate food and fiber-producing resources—soil and water.

I want to address the specific provisions of the farm bill that are vital in New York to protect the soil that supports us.

One, we favor the provision which makes any person who cultivates crops on highly erodible land, ineligible for price supports, farm storage facility loans, crop insurance, disaster payments, or other agricultural loans. For too long, agricultural programs have been at cross purposes with conservation needs. This provision would reward the good manager who seeks to protect soil and water resources for agricultural production now and in the future.

Two, we strongly support the establishment of a conservation reserve program to help producers conserve soil and water resources on highly erodible land. Erosion is a significant problem on New York cropland. A 1982 national resources inventory by the USDA Soil Conservation Service shows that of New York's 30 million acres, approximately 6 million are used to grow crops. On one-fourth of these cropland acres, the soils are eroding at rates faster than nature can replace them. Even more serious is the fact that on half the soils in 32 counties, this erosion is taking place on shallow or sensitive soils, soils which can stand very little erosion before becoming nonproductive.

Three, we also strongly support the need for completing soil surveys as soon as possible. Soil surveys are the only way we can determine the extent of erosion problems affecting sustained productivity. These inventories are an essential tool in State, regional, and local land use planning, as well as for planning on individual farm fields. In New York, soil surveys are the basis for the agricultural value assessment system. About 72 percent of the State has been soil surveyed. We need to complete the rest as soon as possible.

The farm bill calls for SCS assistance in the implementation of these and other provisions. We agree with this provision, but would point out that the proposed 15-percent budget cutbacks would significantly reduce staff available within each county to perform these services, and would have a major impact on other vital programs.

It is my opinion that these services are absolutely essential in maintaining the long-term ability of this country to meet its own food and fiber needs, and to help in meeting nutritional needs for the rest of the world.

In 1984 alone, SCS assisted over 15,600 New York land users in planning and implementing conservation systems on their land to reduce erosion and improve water quality. This assistance prevented nearly half a million tons of soil from washing away, statewide.

Through the Watershed Protection Program, SCS has provided approximately $11 million of flood protection benefits in the past 5 years. These projects have protected communities and farms from flooding, as well as providing benefits in the areas of soil erosion control, flood protection, water quality, improved pasture and hayland, agricultural water management, and livestock production.

When flood disasters strike, SCS emergency assistance is immediately available to protect lives and property. For example, last year in Allegany County, SCS provided $800,000 to protect 19 bridges, 17 roads, and 2 community water systems. The work was completed within 30 days and provided protection from additional damages that could have totaled over $7 million.

Technical assistance from SCS is also the basis for the Resource Conservation and Development Program. This program helps communities expand economic opportunities through wise use and development of natural resources. Benefits from this program in the period 1980 through 1984 totaled $16 million in New York.

All of these programs are part of a nationwide effort to maintain the soil and water resource base. A strong, healthy agriculture must include Government support and involvement in conservation programs.

This is a major difference between the agricultural success we see in the United States, and the disaster we are witnessing in Ethiopia.

I thank you.

The CHAIRMAN. Thank you very much, sir. Mr. Dodge.

STATEMENT OF DAVID M. DODGE, DAIRY FARMER, WOODVILLE, NY

Mr. DODGE. My name is David Dodge. My wife, Nancy, and I own and operate a 525-acre dairy farm located approximately 60 miles north of Syracuse.

I'm here today representing only myself, as a commercial dairy farmer. And my remarks will be brief.

The dairy section of the 1985 farm bill should include the following provisions:

One, we should maintain the price support purchase program. The program has worked well, and provided stability for the dairy industry for 30 years.

Two, the support price should be set annually at the floor level, not an income-enhancing level. The proposal to use 90 percent of the previous 3-year market price average seems to me to be a simple method that makes the support level responsive to the marketplace.

Three, further adjustments of the support price as Government purchases rise or fall below the 5 billion pound level.

Four, changes in the support price should be moderate in nature in order to give the industry time to adjust. A 50 cent adjustment annually seems to me to be an appropriate level.

Five, continuation of the National Dairy Promotion Program, provided that dairymen vote the approval of the program in the referendum this summer. It has been my privilege to serve this past year as one of New York State's three directors on the National Dairy Promotion and Research Board. I firmly believe that dairymen will vote to continue the program. The future health of the dairy industry depends on an aggressive marketing program. Promotion and research are vital parts of that program.

In closing, I would like to remind the members of the committee that the dairy industry is a strong, viable industry. The industry is in a period of adjustment, and as new technology becomes available, further adjustments will be needed.

We need, in a 1985 farm bill, a dairy program that will allow the industry time to adjust. A program such as I have outlined will provide the opportunity and encouragement for the dairy industry to meet these challenges.

Thank you for coming to Syracuse to give us an opportunity to present our ideas.

The **CHAIRMAN**. Thank you, sir. We appreciate your contributions.

Mr. Anderson.

STATEMENT OF AUGUST E. ANDERSON, FARMER, DELAWARE COUNTY, NY

Mr. **ANDERSON**. Mr. Wortley, Mr. de la Garza, I'm August Anderson, from Long Eddy, NY. I farm in Delaware County in the foothills of the Catskill Mountains. Our crops are maple syrup, beef cattle, and timber.

The point I want to get across to your committee is that you must make the programs usable to us.

Case in point: We have recently been under an infestation of forest tent caterpillars about 3 years, 1979 to 1983, which defoliated approximately 200,000 acres in Delaware County. And have totally killed the timber on 60,000 acres. The Federal Government had moneys available to help private landowners fight off this menace, but the way the law is set up, the State DEC has to ask for the money, and New York State refused to ask for it, because the environmentalists have pressured the State government enough to stop all spray programs.

As a result, myself and my neighbors were denied access to Federal money, and we lost our syrup producing trees plus many of our timber lots. We are out of business for the next 100 years because that's how long it's going to take to replace those trees.

As an ASCS committeeman, I suggested that we set up a Cost-Shared Spray Program to save the $150,000 the U.S. Government has spent in our county over the past 9 years on timber projects. It was well-received at the local level, but again, New York State DEC stopped its passage. So, again, we were denied Federal money. We lost our timber and the U.S. Government lost its investment in its ASCS timber projects.

Some method should be devised to get the money directly to the farmer. It doesn't do us any good to have appropriations of these funds, when we can't use them. These trees are valuable assets to our economy, the preservation of our watersheds and erosion protection.

Another point to make is, there are not any programs such as crop insurance, disaster funds, or indemnities, for farmers who lose trees and sap bushes through no fault of their own, as there is to farmers who lose their cattle herds, their chicken flocks, or have crop failures.

It will take 75 to 100 years to put these trees back in production. Just what do we do in the meantime for a living? The Federal Government says the money was there; why didn't you use it?

Our State Governor and DEC will not even answer our letters. This is an interesting predicament. Those of us in agriculture must consider environmental groups are swaying our legislatures to Government by environmental hysteria, and not by commonsense and scientific facts. It won't be long before you can't spread manure or spray crops in the name of environmental purity.

Now, these trees that they took away, many of these acres sat around New York City's water supply. And they were supposed to hold the water. In this dry year, what are they going to do in August, this year? The land that these trees stand on, I'm going to have to go in and cut it clear. That land, I've got to bring it into production some way to make a living, and that land deserves to be under trees, and not land that I can go out there and erode away.

But, if I put it back into trees, I can't, unfortunately, stop eating for 100 years.

Thank you.

The **CHAIRMAN**. Thank you very much. I wish we had heard your testimony when we had all of the assemblymen and senators here. We will pass the word to them of your dilemma.

There should be some appeal or some way to take direct action.

Mr. Donald.

STATEMENT OF ROBERT DONALD, FARMER, MORAVIA, NY

Mr. **DONALD**. My name is Robert Donald. I'm a crop farmer from Moravia, NY. I farm in partnership with my brother, Rodney, and we have about 1,200 acres of corn ground.

My statement is, I'd like to see Government involved less in agriculture. We have the Price Support Program for grains, in particular, is above the world market prices, and it makes us less competitive in the world market. If the price support were eliminated, or reduced, we could be back in the world market for grains, which I produce.

Also, the Farmers Home Administration, with their haphazard lending policies, has caused the price of everything that farmers buy to be inflated. If they were more cautious with their lending programs, everything that the farmers buy would be more reasonably priced, including the farmland and machinery and all the inputs that the farmers use to put their crops in.

I'd like to see the Federal Government either reduce support prices, or eliminate them, and perhaps take a closer look at their Farmers Home Administration and their lending policies on disaster loans, too, with their 30-percent requirement or 30-percent reduction in yield or whatever, to be qualified as a disaster loan participant.

That's all I've got to say.

The **CHAIRMAN**. Thank you very much, sir. We're very happy to have you here.

Mr. Morse.

STATEMENT OF BERT S. MORSE, PRESIDENT, NEW YORK STATE GRANGE

Mr. **MORSE**. Thank you, Mr. Chairman. Congressman Wortley. Again, our appreciation for the opportunity to be here. This is truly democracy in action.

Are you listening. I understand you've come to our State to understand more closely some of the problems we face.

I am Bert S. Morse, president of the New York State Grange, a 30,000 member rural agriculture organization in the State, located in 520 communities across this great State of ours. I'm also an active dairy farmer on a 500-acre farm in New York, approximately 60 miles south of the city of Syracuse.

The 1985 farm bill has been a topic of active discussion for months. In New York State, a respresentative group of general farm organizations and dairy cooperatives have met several times and reached agreement on major points to be included in new legislation.

I would direct my remarks at some of the causes and look then at suggested conclusions for solutions. I am convinced that much of the current farm problem stem from Government actions and that the solution lies in Government correcting basic economic causes.

The previous administration maintained support prices too high, thereby encouraging production because the producer could realize a profit, for the Government was committed to step in as a market buyer. Surpluses increased.

Decisions made by the previous administration destroyed confidence of some foreign buyers in America's ability to deliver contracted goods. Specifically, embargos, such as the wheat embargo of the Soviet Union, were specifically singled out to bear the major brunt.

The huge Federal deficit that must be brought under control. This has caused high interest rates, increasing the cost of doing business, making it attractive for foreign capital to be invested in America, thereby replacing American capital.

This issue is also directly related to the high value of the dollar in comparison with other major foreign currencies, thus increasing the prices of American goods to their nations, and making it easier for their products to enter into American markets.

For example, the Canadian dollar, worth approximately one-third less than the U.S. dollar, a wholesaler in New York City can find out that he can buy $1.37 worth of vegetables in Canada for what he would pay $1 in America. Therefore, he goes to purchase and fulfill his needs from the other country.

The answer to this lies in the hands of the U.S. Government, not in the hands of the farmer. Please accept your responsibility in correcting this. It seems that many give lip service to cuts in Government expenditures to enrich their own pocket; then it becomes sacred ground.

We each must accept a reasonable share of cuts to balance the budget. This redress cannot be delayed.

Foreign Trade. In the early 1980's, agriculture exported some $40 billion worth of products, a major source to improve our balance of trade position. Now, with the problems just previously discussed, agricultural exports have declined measurably. This loss of market works counter to the present administration's goal to improve the agricultural problem in the so-called marketplace.

Correcting the budget deficit, bringing the dollar value inline with other currencies, can help correct the loss of foreign markets.

We also feel that American trade negotiations are not aggressive in protecting American interests in expanding foreign markets and competition with foreign competitors. We have a prime asset in our food production. There are people starving. Can we not bring the two together?

The New York State Grange has favored free trade but this must be a two-way street. The term "fair trade policies" could more appropriately be termed "fare trade." Can we expect the American producer to meet subsidized production from other nations whose transportation costs are picked up by their Governments? Where fertilization costs are lower due to their Government sales?

Also, labor has gained concessions in that a certain percentage of domestic goods must be shipped in American ships at a higher cost. This adds to the cost of our goods overseas. The expansion of foreign markets is vital. Government policy impacts this possibility greatly.

Congress needs to address this issue, and not with another study. We have the facts. Now, let's have that policy legislated. There are those who believe that Government can buy prosperity. This could only, at best, be a short time bandaid, and with its success highly questionable.

We need truly a long-term agriculture policy; not short term programs. One that once that policy is determined and once the goals are set, then the programs can be enacted to obtain those goals. We cannot build a permanent agriculture prosperity on 4-year farm bills.

It is difficult to say this, but all current producers will not be able to stay a producer. They should have the opportunity to try. Certain Government loan programs have encouraged retention of some whose talents could find greater success in related fields. This transition may be eased by retraining programs. Some educational assistance may be needed.

How do we move from the current policy to one where the farmer will receive his just share of the food dollar?

One, we must move toward a market-oriented policy.

Two, the move must be by steps. The Government has led producers for 50 years with grains, subsidies and so forth. The jolt of immediate and complete removal would be too great. Remember, a nation without a prosperous agriculture soon begins to decline.

Third, the Government's major task now is to one, build a balanced budget; two, assist in opening foreign markets through fair trade programs; three, equalize the value of the dollar and bring it into proper relationship with other currencies; and four, not to use food as a foreign policy or as a political weapon.

The industry, agriculture, itself, must: One, build an aggressive, well-financed promotion program. This should be producer-financed, producer-policy set, but managed by professional people. Two, agriculture must work together; we must bring our groups together. Recognition must be made to the many sectors of agriculture conflicting sometimes with one another; the grain producer with the dairy consumer in the East. Three, education of the consumer must receive more attention. We can build our domestic markets.

Immediate but gradual reduction of price supports will be in the long-term interests of farmers, of the consumer, and the Government.

Yes, in concluding we would say, aggressive marketing yes. Producer promotion, yes. Reduce Government deficits, yes. Increase foreign trade, yes. Consumer educational programs, yes. And a long-term policy instead of year-to-year programs, yes.

Again, our appreciation for this opportunity to share with you, our thoughts.

[The prepared statement of Mr. Morse appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir. We appreciate your cooperation and your testimony.

Congressman Wortley.

Mr. WORTLEY. Al Sweetland, I just want to say that you are a very staunch and articulate supporter of soil conservation. And I want you to know that those of us sitting up here appreciate your advocacy on behalf of one of our most precious resources, the soil.

I personally think that Congress would be very shortsighted if we did not continue our soil and conservation programs.

I would just like to ask Mr. Dodge and Bert, both of whom are dairy farmers, do either one of you gentlemen participate in the diversion program, yourself?

Mr. DODGE. I did. I wanted to make a comment on that because I think there were some misstatements this morning in the testimony here, but the production this past year was down totally for the country 3 percent total production. Consumption was up in the neighborhood of 3½ percent.

Government purchases were down 40 percent.

Mr. WORTLEY. I think that's what the Chairman meant.

Mr. DODGE. Still, I think some people misunderstood what was being said. That's why I wanted to comment. I did participate in the program.

Mr. MORSE. No; we did not participate in the program. We are individualists, and we fully believe in the right of the individual to make that decision.

I think there's less than 5 percent in this area that are participating in the diversion program.

Mr. DONALD. Indirectly, we did participate because we paid for the program.

Mr. WORTLEY. Yes; right. Good point, Mr. Donald.

I just wanted to draw out that point so the Chairman would know.

Thank you very much.

The CHAIRMAN. Thank all of you very much.

Next, we have Mr. George Cregg, Maureen Torrey, Paul Westheimer, and Dr. Roger Morse.

Your full statements will appear in the record, and to the extent that you can summarize we will appreciate it.

Mr. Cregg.

Mr. CREGG. Mr. Chairman, I must call your attention to the fact that I would be an ingrate if I didn't pay attention to the fact that you and I have a very close mutual personal friend in Frank Burkatt, and I certainly wish that the next time you see him in McAllen, TX, at that beautiful free-trade zone, that you say hello to Frank. You can tell him that we've recently established a free trade zone in this area, and it is recent, and so we're just getting off the ground.

STATEMENT OF GEORGE W. CREGG. SR., LAWYER AND CERTIFIED INDUSTRIAL AND ECONOMIC DEVELOPER, CAMILLUS, NY

Mr. CREGG. As you know, I'm a lawyer, but I'm also a certified investor and economic developer. I appear here today with regard to a project that I'm very familiar with but I do not represent anyone other than myself.

I suggest that, since you've observed our fairgrounds here, that you read the Syracuse Post Standard before you leave, and see the rather ornate program that Commissioner Jurasci has proposed for the further development of this fairgrounds, and the promotion of agriculture and agribusiness in our area.

With that, I would like to call attention to a quotation that I put in my statement, which is rather brief. I didn't intend to read it, but since several people have talked about the relationship of government, commerce, industry, and agriculture, that we should take a look at what Alexander Hamilton, in the New York Packet, on Tuesday, November 27, 1787, wrote, and it is, I quote:

> It has been found in various countries that, in proportion as commerce has flourished, land has risen in value. And how could it have happened otherwise? Could that which procures a freer vent for the products of the Earth, which furnishes new incitements to the cultivation of land, which is the most powerful instrument in increasing the quantity of money in a State—could that, in fine, which is the faithful handmaid of labor and industry, in every shape, fail to augment that article, which is the prolific parent of far the greatest part of the objects upon which they are exerted?

I should further point out to you that the New York Times, on May 7, 1985, indicated that a recent study has indicated that erosion has long been a major and growing cause of the loss of cropland.

The Wall Street Journal, on April 26, 1985, featured an article entitled "Cropland Erosion Is a Growing Problem."

I'd like to mention to you a program that Congressman Wortley referred to this morning. And that is, in February 1984, the U.S. Department of Agriculture Soil Conservation Service, produced a preauthorization planning report and plan of work for planning assistance for the Otisco Lake Watershed, which is only about 20 miles to the southwest of here where we are located.

That plan was accepted and the plan was authorized by Peter C. Meyers, then the Chief of Soil Conservation Service, under the Watershed Protection and Flood Prevention Act. This planning effort was begun in May 1984, and involved 68 active farms in the watershed of Otisco Lake Reservoir, which is one of New York's famous finger lakes, and involves the taking of water from that lake, about 20 million gallons a day of potable water per day, and supplies about 100,000 persons in this area in Onondaga County.

This is the first project of this kind in New York State. It will involve some well-accepted and sophisticated farm practices in relation to soil tillage and the disposal of animal waste.

In this area, over 50 percent of the active cropland in that Otisco Lake watershed exhibit excessive sheet and rill erosion, and there is some sediment and nutrient delivery to the Otisco Lake Reservoir. Erosion rates on 6,338 acres of cropland range from 3 tons per acre per year to over 30 tons per acre per year. The average erosion is 9 tons per acre per year, and as you well know, three times an acceptable rate for replenishment of the treasured topsoil needed to feed the inhabitants of Onondaga County and the rest of New York State.

The thin soils of New York State will not last long if this rate of erosion continues. The loss of productivity as a result of this erosion has been estimated at as high as $5 per acre per year for some of our shallow soils.

And the average loss has been estimated at $2.70 per acre per year. The waste of New York's cropland cannot be allowed to continue if its citizens are to be economically fed. The lesson of Ethiopia in 1985 is being heard and must be listened to. Or erosion will eventually take its toll.

The area around the lake is also the site of several 100 year round and recreational homes, and the lake is used extensively for fishing, swimming, and boating. The area residents should benefit directly.

A combination of land treatment practices and animal waste management appears to be desirable. The work plan is practically complete. All that is needed to finish this project at present is to leave enough money in the 1985 budget to start the 3 to 5 year work program, providing approximately $400,000 in grants for half of the cost.

It is anticipated, and we've had several meetings with them, that the New York State Job Development Authority can furnish the other 50 percent of the cost in the nature of low-interest loans to the involved farmers, at rates, hopefully, somewhere between 7.5 and 9.5 percent.

Agriculture, as you've heard many times today, is New York's No. 1 industry. And if you include the lawyers, and some of the doctors, and a few others, certainly more than one in four jobs in New York State depend on farm production.

Oddly enough, not one single member of the New York State delegation, including the Congress and the Senate, have a single Member on the Agriculture Committee of either the Senate or the House. We would urge that at least one of those committees have a Representative from the State of New York.

To preserve our agriculture is to preserve our Nation. New York is doing its part. But let's not wash away our world leadership by woeful neglect of eroding soil. Let's do whatever is necessary to maintain our State's and the Nation's farms, especially the family farms.

[The prepared statement of Mr. Cregg appears at the conclusion of the hearing.]

Mr. Cregg. Incidentally, Mr. Chairman, there is some additional information to some of the statements that I made, that is attached to my statement, and I would like to consider that a part of the written statement.

Food and Agriculture Act of 1965 (7 U.S.C. 1305) is amended by striking out the words "feed grain" each time they appear and inserting in lieu thereof the word "acreage".

SEC. 206. Effective beginning with the 1986 crop of upland cotton, section 506 of the Agriculture and Food Act of 1981 (7 U.S.C. 1342 note) is repealed.

UNITED STATES GENERAL ACCOUNTING OFFICE
Washington, D. C. 20548

FOR RELEASE ON DELIVERY
Expected at 9:30 A.M. EST
Wednesday, April 24, 1985

STATEMENT OF
BRIAN P. CROWLEY
SENIOR ASSOCIATE DIRECTOR
RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION

BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE
ON THE PROPOSED
AGRICULTURAL EFFICIENCY AND EQUITY
ACT OF 1985

Mr. Chairman and Members of the Committee:

We are glad to be here today at your request to discuss H.R. 1912 (the bill), the proposed Agricultural Efficiency and Equity Act of 1985 which would change the manner in which the Department of Agriculture (USDA) computes acreage bases and program yields. As you know, we were asked to analyze certain aspects of a similar version of this bill, H.R. 4565, which was introduced in the last Congress.

My testimony today will summarize the results of our analysis. In addition, we are making available today our report which presents the results of our analysis in greater detail.

Acreage bases and program yields are two of the tools USDA uses in administering farm programs for producers of program crops--wheat, feed grains (barley, oats, corn, and grain sorghum), cotton, and rice. Base acreage and program yield determinations are key components in USDA's formula for computing the amount of payment producers receive for participating in farm programs. Essentially, base acres are the amount of land which USDA recognizes that a farmer has historically planted to a program crop. A program yield is the production capacity USDA associates with a particular farm.

In requesting our analysis, members of this Committee were concerned that USDA's administration of the Agriculture and Food Act of 1981 (the 1981 act) had resulted in "inflated base acreage"--a condition in which a farm's base acreage had increased above the farm's usual planted acres, as well as "phantom acres"--a condition in which a farm's total base acreage exceeds the farm's actual cropland.

We were asked to identify the provisions of the 1981 act and its administration which have allowed acreage bases to inflate; to determine whether the bill effectively addresses this problem; and to indicate what the acreage bases, program yields, and program costs would have been if the bill had been in effect instead of the 1981 act. We were also requested to provide our assessment of whether other commodities besides the program crops should be included in the bill. Finally, we were asked to assess the yield formula contained in the bill and to describe USDA's procedures covering double cropping--the planting of two crops on the same acreage in the same year. Before providing our responses to each of these concerns, Mr. Chairman, we would like to briefly highlight the scope of our work.

SCOPE OF REVIEW

We visited 18 counties in six states--Kansas, Iowa, Minnesota, Nebraska, Arkansas, and Texas. We selected these states because they accounted for about 43 percent of USDA's wheat and feed grains payments and about 51 percent of USDA's rice and cotton payments from October 1, 1982, through March 31, 1984.

We used a statistical sampling approach to assess the impact of variations in acreage bases for various crop years within these counties. Our sampling approach required reviewing the data for 562 farms in the 18 counties. We obtained production data on each farm for the 6-year period 1979 through 1984. Our approach permits us to project the impact that the bill would have had on acreage bases for the major crops in the 18 counties included in our review.

UNDER CURRENT LAW, BASE ACREAGES HAVE BECOME INFLATED

For 1982-85 crops, the 1981 act provided for the establishment of a separate acreage base for each program crop. Specifically, the 1981 act provided that the number of base acres for any farm would be the acreage planted to a program crop for harvest in the previous year or, at the discretion of the Secretary, the average acreage planted to the crop for harvest for the 2 previous years.

In implementing this provision for 1982, the first year of implementation, the Secretary decided that the higher of either the 1981 planted acres or the average of the 1980 and 1981 planted acres would be used to establish the acreage base for each program crop grown on the farm. For the 1983 crop, the Omnibus Budget Reconciliation Act of 1982 provided that the acreage bases should be the same as those established in 1982, except for adjustments to reflect such factors as crop-rotation practices.

For 1984, the Secretary provided that the acreage bases would be determined by averaging the 1982 and 1983 planted acres. However, unlike the programs administered in 1982 and 1983 the Secretary determined that acres "considered planted" would also be included in deriving the average number of acres planted in the previous 2 years. Under USDA regulations, acreage that a farmer was prevented from planting to a program crop as a result of a natural disaster, or acreage taken out of production to comply with any USDA acreage reduction program, would be "considered planted" for program purposes and included as part of the base acreage computation.

The following table shows the impact of the 1982, 1983, and 1984 programs on base acreage determinations for a hypothetical 600-acre farm.

Table 1

Base Acreage Determination for a 600-Acre Farm

Program Crop	Planted acres		Acreage base for program crops		
	1980	1981	1982 base[a]	1983 base[b]	1984 base[c]
Wheat	500	0	250	250	250
Sorghum	0	500	500	500	500
Sub-total	500	500	750	750	750
Other crops	100	100			
Total acres	600	600			

[a] Higher of 1981 or average of 1980 and 1981 planted acres.
[b] Same base as 1982.
[c] Average of 1982 and 1983 planted and considered planted acres.

Because of the method of determining acreage bases, inflated acreage bases as well as phantom acreage would have been established for this farm. Inflated acres exist because the total base acreages were increased by 250 acres--from 500 to 750. Phantom acres also exist because the crop acreage base exceeded the farm's total cropland by 150 acres.

Inflated bases also resulted in part because of the Secretary's definition of "considered planted" acres. Producers who have not planted a particular program crop but want to retain their acreage base for that crop, can certify that they have not planted the crop and are given full credit as if they had planted their acreage base for that year. This is done to take away the incentive to plant up to the maximum permitted for purposes of maintaining the established base.

Under the Secretary's definition, participating producers were given credit for planting their entire crop base even though they planted less or did not plant any acreage to that crop. For example, a producer who participated in the 1984 programs with a corn base of 100 acres was required to take 10 percent, or 10 acres, out of production leaving 90 acres available for planting. Under USDA program requirements if the producer elected to plant only 50 acres, USDA would give the producer full credit for the 100 acres in calculating the base acreage for this farm.

In the above example, the producer could plant these acres to another program crop in which he or she was not participating in USDA farm programs and increase the base acreage for the nonparticipating crop for the next year while still carrying forward the full crop acreage base for the participating crop to future years.

THE BILL WOULD HELP CORRECT INFLATED AND PHANTOM ACREAGE CONDITION

Under the bill (sec. 102 and 103), a farm acreage base and a crop acreage base would be established for each farm which grows at least one program crop. The farm acreage base would be the 5-year moving average of the total acreage planted and considered planted to all program crops grown on the farm. The crop acreage base would be the 5-year moving average of the acreage planted and considered planted to each program crop grown on the farm. The sum of the crop acreage bases may not exceed the farm acreage base, except where the excess is due to an established practice of double cropping.

The bill would help eliminate inflated acreage bases and phantom acres. However, specific language is needed in the bill (sec. 108) to clarify the term "considered planted" acres. For example, consideration should be given to not including farms that report zero planted acreage to a crop or that voluntarily reduce planted acres below program requirements. Currently, producers are given credit for acreage that he or she chose not to plant.

This, in turn, would be subsequently included in a producer's base acreage determination. Also, in the case of a disaster crop, consideration should be given to allowing credit only for the disaster crop or the crop planted in its place.

We found that if the bill had been in effect (with clarifying language for considered planted acres) for the 1983 and 1984 crops of wheat, feed grains, cotton, and rice, there would have been a reduction in the amount of base acres producers could use for program purposes. We estimate that for all farms in the 18 counties we reviewed, the USDA bases in 1983 would have been reduced by about 534,800 acres, or about 12.5 percent.

THE BILL WOULD REDUCE YIELDS FOR COTTON AND RICE

We also compared the yield formula contained in the bill (sec. 106) with the proven yield formula (determined on the basis of production records) used by USDA. Yields, like base acres, are used by USDA as a factor in determining the amount of program payments a participating farmer can receive.

For 1984, a comparison of USDA's proven yields with the yields computed using the criteria set out in the bill shows minor differences for wheat and feed grains and significant differences for cotton and rice. Overall, the yield formula contained in the bill improves on that now being used by USDA because it provides yield data that would be based entirely on actual production.

Under the bill, yields for all programs crops would be determined by using harvested yields for the most recent 5-year period with such adjustments as the Secretary may prescribe. Generally, the highest and lowest yields would be eliminated and the remaining 3 years' yields would be averaged to obtain the yield for the farm. In contrast, USDA determines a proven yield for wheat and feed grain producers by using planted yields for the most recent 5-year period. However, if any year's yield is less than 80 percent of the 5-year average, that year can be increased up to 80 percent of the 5-year average. A comparison of these two yield determination methods for 1984 wheat and feed grains results in very small differences.

For cotton and rice, USDA's yield determination method consists of computing an average yield for each producer using the highest yields for 4 of the last 5 years. If this average yield is higher than any of the yields for the most recent 3 years, this average yield is inserted in place of the lower yield(s). Once the yields for the most recent 3 years are adjusted (if necessary), an average is computed for this 3-year period which then becomes the producer's current-year yield for payment purposes. Yield determinations for cotton and rice result in significant differences, about 16 percent and 9 percent, respectively, from USDA yields if the formula in the bill is used.

THE BILL WOULD REDUCE PROGRAM PAYMENTS

We found that program payments to the 562 farms in our sample would have been less for both the 1983 and 1984 farm programs had the bill been in effect. However, there are two key assumptions that we used in making our estimates. First, we assumed the same farmer participation levels that existed in 1983 and in 1984 and, second, we assumed that commodity supply and demand, as well as the price of commodities, would have remained the same in 1983 and in 1984 had the bill been in effect.

We found that payments made to farmers for our 562 sample farms in 1983 would have been reduced by about $1.9 million, or 16 percent, had the bill been in place. For 1984, the only commodity for which payments were made for taking land out of production was wheat. Our estimates show that for the participating farms in our sample, payments would have been reduced by about $207,300, or about 8 percent.

INCLUDING OTHER CROPS IN THE BILL

As the bill (sec. 102 and 108) is now written, the farm acreage base would include program crops plus soybeans. As a result, producers who grow soybeans would have increased flexibility as their farm acreage base would be higher and they could adjust their individual crop acreage bases more than if soybeans were not included. For example, assume a producer with 300 acres has a wheat and corn crop acreage base of 100 acres each for a total base of 200 acres for these two program crops. In addition, this producer normally plants the program crops plus 100 acres of soybeans. The producer can increase or decrease the crop acreage base for any program crop up to a maximum of 20 percent of the farm acreage base in the first year and up to 10 percent each year thereafter. Accordingly, by including soybean acres in the farm acreage base, a producer's flexibility in choosing the amount of acreage to plant to a particular program crop will increase--in this example by 20 acres in the first year.

Whether soybeans or other crops should be included in this bill is a policy matter for the Congress to debate and decide. However, if soybeans are included, consideration might be given to including other commodities to provide increased flexibility for producers of those commodities.

OBTAINING YIELD DATA AS PROPOSED IN THE BILL MAY PROVE DIFFICULT

The bill proposes a yield determination system which uses actual production evidence as the basis for assigning yields to farms. However, we have some observations you may wish to consider on the difficulty of implementing such a system for all crops.

The yield formula in the bill (sec. 106) uses harvested acres as the basis for determining annual program yields. Consideration should be given to using planted acres for harvest instead of harvested acres since (1) farm program payments are made on the basis of planted acres for harvest and (2) farmers currently report planted acres to USDA.

Further, for determining the yield for program payment purposes, the bill prescribes a procedure of averaging the actual annual yields per harvested acre determined for each of 3 years. Instead of using a simple average for determining average annual yields, consideration should be given to using a weighted average calculation which takes into account the total number of acres planted for harvest in determining program yields.

During our review, we obtained comments from Agricultural Stabilization and Conservation Service (ASCS) state and county officials on the difficulties of moving to the system of yields proposed by the bill. They told us that such a system would be time consuming and costly and may not provide any better yield data than are now obtained. Their rationale was that under current procedures, county ASCS offices can only accept as proof of production,(1) certain warehouse documents, (2) storage bin measurements made by ASCS personnel, or (3) field appraisals by ASCS personnel. They further said that, because few wheat and feed grain producers now prove their yields, going to a system of all proven yields would greatly increase the workloads and that full-time staff could increase by as much as one to four people in each county. Another problem pointed out by ASCS officials was the inherent difficulties in verifying that producers do not comingle crops from different years or different farms.

DOUBLE CROPPING PRACTICES

As requested, we obtained information on USDA's procedures for double cropping practices. USDA currently defines double cropping as the practice of planting and harvesting two different crops from the same acreage in the same crop year. This includes situations where the first crop is destroyed after the crop's normal planting season but before harvest, and another crop is planted and harvested. According to USDA officials, each of the crops being double cropped stands alone and the acreage reduction requirements that might apply are treated just as if the crops had been planted on different acreages.

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That concludes our statement. We will be glad to respond to any questions.

REPORT BY THE U.S.

General Accounting Office

Analysis Of Certain Aspects Of The Proposed Agricultural Efficiency And Equity Act Of 1985

The proposed Agricultural Efficiency and Equity Act of 1985 would change the manner in which the Department of Agriculture determines the amount of acreage and yields assigned to producers of wheat, feed grains, cotton, and rice under various farm programs. This report responds to questions raised by several Congressmen on the potential impact of the bill had it been in effect for prior years' programs.

GAO/RCED-85-118
APRIL 24, 1985

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

B-217740

The Honorable Berkley Bedell
The Honorable Ron Marlenee
The Honorable Pat Roberts
The Honorable Charles Stenholm
House of Representatives

On April 5, 1984, you requested that we review several aspects of a proposed bill entitled the Agricultural Efficiency and Equity Act of 1983 (H.R. 4565). A similar bill, which has been reintroduced as H.R. 1912 in this Congress, would change the manner in which the Department of Agriculture (USDA) determines the acreage bases and yields assigned to producers under various farm programs. Acreage bases and program yields are two tools used by USDA in administering farm programs for producers of program crops--wheat, feed grains (barley, oats, corn, and grain sorghum), cotton, and rice. Base acreage and program yield determinations are key components in USDA's formula for computing the amount of payment producers receive for participating in farm programs. Essentially, base acres are the amount of land USDA recognizes that a producer historically plants to program crops. The yield is the production capacity USDA associates with a particular farm.

In requesting our analysis, your main concern was that USDA's administration of the Agriculture and Food Act of 1981 (the 1981 act) resulted in "inflated base acreage"--a condition in which a farm's base acreage has increased above the farm's usual planted acres, as well as "phantom acres"--a condition in which a farm's total base acreage exceeds the farm's total actual cropland.

In view of these concerns, you requested that we (1) identify the provisions of the 1981 act and its administration that have resulted in inflated and phantom acreage, (2) determine the extent to which the bill addresses this problem, and (3) determine what the acreage bases, program yields, and program payments would have been if the bill had been in effect instead of the 1981 farm act. In addition, you wanted our views on whether other commodities besides the program crops should be included in the bill, and of the yield formula contained in the bill. Finally, you asked us to describe USDA's procedures covering double cropping--in which a producer plants two crops on the same acreage in the same year.

In summary, the 1981 act gives the Secretary of Agriculture discretion in establishing acreage bases for individual program crops. The Secretary's 1982 decision to establish base acreages by giving producers the highest base possible for each crop as permitted by the 1981 act has resulted in inflated acreage bases as well as phantom acres. The impact of this decision was carried forward in the 1983 and 1984 programs. The bill, with some revisions, would limit the acreage bases to reflect planted acres as well as revise the yield formula to reflect actual production and thus help eliminate phantom acres and inflated acreage bases, lower program yields, and reduce program payments.

For instance, if the bill had been in effect in 1983, the number of base acres in the 18 counties included in our review would have been reduced by about 534,800 acres, or about 12.5 percent. Regarding yields, we found that the bill would have had a limited impact on wheat and feed grains and a significant impact on cotton and rice. For example, the bill would have decreased 1984 yields by as much as 16 percent for cotton and about 9 percent for rice. Using the base acreage and yield determination procedures in the bill, we estimate that 1983 program payments for the 562 farms we reviewed would have been reduced by 16 percent, or $1.9 million. We caution, however, that this estimate assumes that farm program participation would have stayed the same under the bill and that supply, demand, and pricing of commodities would also have remained the same.

A more detailed discussion of these findings, as well as our responses to your other concerns, is included in appendix I. The appendix also provides general background information on USDA's farm programs, including the roles of acreage bases and program yields.

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To respond to your questions, we visited 18 counties in six states. We obtained program participation data on wheat and feed grains in Kansas, Iowa, Minnesota, and Nebraska and on cotton and rice in Arkansas and Texas. At these states, we reviewed data for 562 farms representing a cross-section of farm sizes. This approach permits us to project the impact that the bill would have on acreage bases for the major crops in the 18 counties included in our review. We also discussed each aspect of the bill with USDA officials in Washington and in the state and county offices we visited. A detailed explanation of our objectives, scope, and methodology is included in appendix I.

We discussed the report's contents with the Director of USDA's Cotton, Grain, and Rice Support Division, who provided clarifying language which was incorporated in the report. We did not request the Department of Agriculture to review and comment officially on a draft of this report.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Agriculture; various Senate and House committees; Members of Congress; and other interested parties.

J. Dexter Peach
Director

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ABBREVIATIONS

ASCS	Agricultural Stabilization and Conservation Service
GAO	General Accounting Office
OIG	Office of Inspector General
USDA	Department of Agriculture

ANALYSIS OF CERTAIN ASPECTS OF THE PROPOSED AGRICULTURAL EFFICIENCY AND EQUITY ACT OF 1985

FARM PROGRAM DESCRIPTION

Under the Commodity Credit Corporation Charter Act (15 U.S.C. 714), the U.S. Department of Agriculture (USDA) administers various farm price support programs to stabilize agricultural commodity markets and to control agricultural surpluses. These programs, which are administered through the Agricultural Stabilization and Conservation Service (ASCS), provide for commodity loans and purchases as well as price support and production adjustment payments to farmers. The system of production controls and the associated income and price-support programs are commonly referred to as farm programs. Participation in farm programs is voluntary and is available to producers of program crops--wheat, feed grains (barley, corn, grain sorghum, and oats), rice, and cotton. However, only producers that participate are eligible for the income and price supports offered by USDA.

The Agriculture and Food Act of 1981 (Public Law 97-98, 95 Stat. 1213) authorizes acreage reduction programs for the 1982-85 crops of wheat, feed grains, cotton, and rice. These programs permit USDA some control over production by requiring participating producers to take a certain percent of their cropland out of production in time of surpluses. For each of these commodities, the Secretary of Agriculture provides for an acreage reduction program if the Secretary determines that the total supply of the commodity will, in the absence of such a program, likely be excessive. In making the determination, the Secretary is to take into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency.

Under farm programs, USDA establishes for each participating producer an acreage base and program yield. An acreage base is the amount of land USDA recognizes that a producer has historically planted to a program crop. A program yield is the production capacity associated with a particular farm. Combined, these are two of the key components of the formula USDA uses to make payments under its programs.

Because of the way the 1981 farm bill has been administered, phenomena called "inflated bases" and "phantom acreage" have occurred. Inflated bases is a condition in which a farm's base acreage has increased above the farm's usual planted acres. Phantom acreage is a condition in which a farm's total base acreage exceeds the total amount of cropland on a farm.

This bill changes the current system for determining acreage bases and program yields and puts the changes into permanent law, rather than 4-year authorizing legislation as is now the case. The overall purpose of the bill is to improve the management of farm programs by revising the methods used by USDA to administer them. The bill is significant in that it calls for modifications to the way USDA determines the farm acreage bases and program yields for a particular producer. It also will have a significant impact on the payments USDA makes to producers participating in its programs.

OBJECTIVES, SCOPE, AND METHODOLOGY

This report discusses ASCS' current system of acreage bases and program yields and provides information on how H.R. 1912--the Agricultural Efficiency and Equity Act of 1985--would reform them. A similar version of this bill was orginally introduced as the Agricultural Efficiency and Equity Act of 1983 in the previous Congress. At that time, we were requested to do this analysis. In response to the request, our objectives were to determine (1) what provisions of the Agriculture and Food Act of 1981 and its administration have made it possible to have inflated bases as well as phantom acreage, (2) whether the bill effectively addresses this problem, and (3) what the acreage bases, program yield and program payments would have been if the bill had been in effect instead of the 1981 farm act. In addition, we reviewed whether other commodities besides the program crops should be included in the bill, and the yield formula contained in the bill. Finally, we determined the current USDA procedures covering double cropping--in which a farmer plants two crops on the same acreage in the same year.

We made this review in accordance with generally accepted government auditing standards. We did our audit work from May 1984 through December 1984 at ASCS' headquarters in Washington, D.C., at the ASCS commodity office in Kansas City, at six ASCS state offices, and at 18 ASCS county offices. (See app. II.) At these places, we interviewed ASCS officials and obtained information on the current base acreage and program yield system. We obtained and reviewed applicable legislation, implementing regulations, and pertinent ASCS policies and procedures. We also coordinated our work with USDA's Office of Inspector General (OIG) and reviewed its applicable reports.

We obtained program participation information on feed grains and wheat in Kansas, Iowa, Minnesota, and Nebraska and on cotton and rice in Texas and Arkansas. We selected these states because they account for about 43 percent of USDA's wheat and feed grain payments and about 51 percent of USDA's rice and cotton payments from October 1, 1982, through March 31, 1984.

We used a statistical sampling approach to assess the impact of variations in acreage bases and program yields for various crop years within the review counties. Our sampling approach required reviewing the data for 562 farms in 18 counties. The sample size was established on the basis of the total number of farms from each county. Generally, the higher the cropland acres in the county, the larger the sample size. The farms selected represent a cross section of farm sizes to include large and small farms.

This approach permitted us to project the impact that the bill would have had on acreage bases for the major crops in the 18 counties included in our review had the bill been in effect.

We obtained production data on each farm for a 6-year period, 1979 through 1984. This was the latest available data at the time of our review. To determine the cost of the 1983 and 1984 programs (assuming the bill was in effect), we used the prescribed payment rates set by USDA for its various programs.

We discussed the report's contents with the Director of USDA's Cotton, Grain, and Rice Support Division, who provided clarifying language, which was incorporated in the report. We did not request the Department of Agriculture to review and comment officially on a draft of this report.

UNDER CURRENT LAW, BASE ACREAGES HAVE BECOME INFLATED

For the 1982-85 crops, the 1981 act provided for the establishment of a separate acreage base for each program crop. Specifically, the 1981 act provided that the number of base acres for any farm would be the acreage planted to a program crop for harvest in the previous year or, at the discretion of the Secretary, the average acreage planted to the crop for harvest for the 2 previous years. In implementing this provision for 1982, the first year of implementation, the Secretary decided that the higher of either the 1981 planted acres or the average of the 1980 and 1981 planted acres would be used to establish the acreage base for each program crop grown on the farm. For the 1983 crop, the Omnibus Budget Reconciliation Act of 1982 provided that the acreage base should be the same as those established in 1982, except for adjustments to reflect such factors as crop-rotation practices. For 1984 the Secretary provided that the acreage bases would be determined by averaging the 1982 and 1983 planted acres. However, unlike the programs administered in 1982 and 1983, the Secretary determined that "considered" planted acres would also be included in deriving the average number of acres planted in the previous 2 years. Under USDA regulations, acreage that a farmer was prevented from planting to a program crop as a result of a natural disaster or acreage taken out of production to comply with any USDA acreage reduction program would be "considered planted" for program purposes and included as part of the base acreage computation.

The following table shows the impact of the 1982, 1983, and 1984 programs on base acreage determinations for a hypothetical 600-acre farm.

Table 1

Base Acreage Determination for a 600-Acre Farm

Program crop	Planted acres		Acreage base for program crops		
	1980	1981	1982 base[a]	1983 base[b]	1984 base[c]
Wheat	500	0	250	250	250
Sorghum	0	500	500	500	500
Total	500	500	750	750	750
Other crops	100	100			
Total acres	600	600			

[a] Higher of 1981 or average of 1980 and 1981 planted acres.
[b] Same base as 1982.
[c] Average of 1982 and 1983 planted and considered planted acres.

Because of the method of determining acreage bases, inflated acreage bases as well as phantom acres would have been established for this farm. Inflated acres exist because the total base acreages were increased by 250 acres--from 500 to 750. Phantom acres also exist because the crop acreage base exceeded the farm's total cropland by 150 acres.

Inflated bases also resulted in part because of the Secretary's definition of "considered planted" acres. Producers who have not planted a particular program crop but want to retain their acreage base for that crop, can certify that they have not planted the crop and are given full credit as if they had planted their acreage base for that year. This is done to take away the incentive to plant up to the maximum permitted for purposes of maintaining the established base.

Under the Secretary's definition, some producers were given credit for planting their entire crop base even though they planted less or did not plant any acreage to that crop. For example, a producer who participated in the 1984 programs with a corn base of 100 acres was required to take 10 percent, or 10 acres, out of production, leaving 90 acres available for planting. Under USDA program requirements, if the producer elected to plant only 50 acres, USDA would give the producer full credit for the 100 acres in calculating the base acreage for this farm.

In the above example, the producer could plant these acres to another program crop in which they were not participating in USDA farm programs and increase their base acreage for the nonparticipating crop for the next year while still carrying forward the full crop acreage base for the participating crop to future years.

THE BILL WOULD HELP CORRECT INFLATED AND PHANTOM ACREAGE CONDITION

Under the bill, a farm acreage base and a crop acreage base would be established for each farm that grows at least one program crop. The farm acreage base would be the 5-year moving average of the total acreage planted and considered planted to all program crops on the farm. The crop acreage base would be the 5-year moving average of the acreage planted and considered planted to each program crop grown on the farm. The sum of the crop acreage bases may not exceed the farm acreage base, except where the excess is due to an established practice of double cropping.

The bill would help eliminate inflated acreage bases and phantom acres. However, specific language is needed in the bill to clarify the term "considered planted" acres. For example, consideration should be given to not including farms that report zero planted acreage to a crop or that voluntarily reduce planted acres below program requirements. Currently, producers are given credit for acreage that he or she chose not to plant. This, in turn, would subsequently be included in a producer's base acreage determination. Also, in the case of a disaster crop, consideration should be given to allowing credit only for the disaster crop or the crop planted in its place.

We found that if the bill had been in effect (with clarifying language for considered planted acres) for the 1983 and 1984 crops of wheat, feed grains, cotton, and rice, there would have been a reduction in the amount of base acres producers could use for program purposes.

As the following table shows, applying the provisions of the bill to our 562 sample farms in 1984 would have decreased acreage bases about 29,000 acres, or about 14 percent.

Table 2

Comparison of USDA-Established Bases for Sample Farms With the Bill's Method of Computing Base Acres

	Program crops				
Crop year	Wheat	Feed grains	Cotton	Rice	Total
	(acres)				
1983:					
USDA bases	89,281.6	81,503.8	16,861.2	12,048.8	199,695.4
Bill bases[a]	78,687.4	69,009.0	15,824.9	10,131.7	173,652.9
Difference	10,594.2	12,494.9	1,036.3	1,917.1	26,042.5
Percent	11.9	15.3	6.1	15.9	13.0
1984:					
USDA bases	92,883.4	85,533.1	16,856.3	12,239.9	207,532.7
Bill bases	80,564.0	71,472.6	15,860.5	10,453.1	178,350.2
Difference	12,319.4	14,080.5	995.8	1,786.8	29,182.5
Percent	13.3	16.5	5.9	14.6	14.1

[a] For 1983 we used a 4-year average (1979-82) instead of a 5-year average as called for by the bill because program data were generally not available for 1978.

Note: Figures do not always add because of rounding.

Further, we estimate that for all farms in the 18 counties we reviewed, the USDA bases in 1983 would have been reduced by about 534,800 acres, or about 12.5 percent, had the bill been in effect.

THE BILL WOULD REDUCE YIELDS FOR COTTON AND RICE

We also compared the yield formula contained in the bill with the proven yield formula (determined on the basis of production records) used by USDA. Yields, like base acres, are used by USDA as a factor in determining the amount of program payments a participating farmer can receive.

For 1984 a comparison of USDA's proven yields with the yields computed using the criteria set out in the bill shows minor differences for wheat and feed grains and significant differences for cotton and rice. The results of our comparison are shown in the following table.

Table 3

Comparison of 1984 USDA Proven Yields for Sample Farms With Yields Established Under the Bill

Commodity	No. of farms[a]	1984 yields Per ASCS	 Per bill	Difference	Percent
Wheat (bu.)	73	43.0	42.9	0.1	0.2
Corn (bu.)	63	131.2	132.7	-1.5	-1.1
Sorghum (bu.)	25	81.5	77.9	3.6	4.4
Barley (bu.)	21	73.1	73.0	0.1	.1
Cotton (lbs.)	76	380.8	320.1	60.7	15.9
Rice (lbs.)	51	4,416.0	4,029.2	386.8	8.8

[a] All farms did not prove yields.

Under the bill, yields for all program crops would be determined by using harvested yields for the most recent 5-year period with such adjustments as the Secretary may prescribe. Generally, the highest and lowest yields would be eliminated and the remaining 3 years' yields would be averaged to obtain the yield for the farm. In contrast, USDA determines a proven yield for wheat and feed grain producers by using planted yields for the most recent 5-year period. However, if any year's yield is less than 80 percent of the 5-year average, that year can be increased up to 80 percent of the 5-year average. As table 3 shows, a comparison of these two yield determination methods (using planted yields) for 1984 wheat and feed grains results in very few differences.

For cotton and rice, USDA's yield determination method consists of computing an average yield for each producer using the highest yields for 4 of the last 5 years. If this average yield is higher than any of the yields for the most recent 3 years, this average yield is inserted in place of the lower yield(s). Once the yields for the most recent 3 years are adjusted (if necessary), an average is computed for this 3-year period, which then becomes the producer's current year yield for payment purposes. As table 3 shows, yield determinations for cotton and rice result in significant differences--16 percent and 9 percent, respectively--from USDA yields if the formula in the bill is used.

Overall, the yield formula contained in the bill improves on that now being used by USDA because it provides yield data that would be based entirely on actual production. However, as discussed on page 10, the formula contained in the bill may be more difficult to administer.

THE BILL WOULD REDUCE PROGRAM PAYMENTS

We found that program payments to the 562 farms in our sample would have been less for both the 1983 and 1984 farm programs had the bill been in effect. However, we want to point out two key assumptions that we used in making our estimates. First, we assumed the same farmer participation levels that existed in 1983 and in 1984 and, second, we assumed that commodity supply and demand, as well as the price of commodities, would have remained the same in 1983 and in 1984 had the bill been in effect.

As the following table shows, we found that payments made to farmers for our 562 sample farms in 1983 would have been reduced by about $1.9 million, or 16 percent, had the bill been in place.

Table 4

Comparison of 1983 USDA Program Costs for Our 562 Sample Farms With Program Costs Estimated Under the Bill

Crop	No of counties	No. of farms[a]	1983 program costs Actual	1983 program costs Per bill	Differences	Percent reduction using bill
Wheat	12	232	$ 4,038,100	$3,565,500	$ 472,600	11.7
Corn	9	185	4,097,800	3,527,400	570,400	13.9
Sorghum	7	75	466,800	341,000	125,900	27.0
Barley	2	51	239,600	196,400	43,200	18.0
Rice	2	51	1,726,000	1,356,400	369,700	21.4
Cotton	3	67	1,280,400	966,000	314,400	24.6
Total[b]			$11,848,700	$9,952,600	$1,896,100	16.0

[a] In some cases, farms had more than one participating crop.
[b] Figures do not always add due to rounding.

Note: The data obtained from our statistical sample of 562 farms is unweighted. This data should not be used to project to a larger universe than the farms actually included in our sample. Due to our small sample size, we could not project with a high degree of confidence to all the farms in the counties reviewed.

For 1984, the only commodity for which payments were made for taking land out of production was wheat. Accordingly, we estimated cost differences for that commodity. Our estimates show that for our sample farms, 1984 program payments would have been reduced by about $207,300, or about 8 percent, had the bill been in effect.

INCLUDING OTHER CROPS IN THE BILL

As the bill is now written, the farm acreage base would include program crops, plus soybeans. As a result, producers who grow soybeans would have increased flexibility as their farm acreage base would be higher and they could adjust their individual crop acreage bases more than if soybeans were not included.

Whether soybeans or other crops should be included in the bill is a policy matter for the Congress to debate and decide. However, if soybeans are included, as now proposed, consideration might be given to including other commodities to provide increased flexibility to producers of those commodities.

Including additional crops, other than program crops, would affect other aspects of farm management by increasing the producer's flexibility in planting crops and increasing the adjustments the producer can make in individual program crop acreage bases. Under the bill's provisions, a producer could adjust the acreage he or she plants to individual program crops by a maximum 20 percent the first year of implementation and 10 percent of the farm's acreage base each year thereafter.

For example, assume a producer with 400 acres has a wheat and a corn crop acreage base of 100 acres each, for a total base of 200 acres for these two program crops. In addition, this producer normally plants the program crops plus 100 acres of soybeans and 100 acres of sunflowers. This producer's farm acreage base as well as the flexibility to adjust the program crop plantings would vary depending on the number of crops included.

	Acreage base		
Crops	Crop acreage bases only	Crop acreage bases including soybeans	Crop acreage bases including all crops
	(acres)		
Wheat	100	100	100
Corn	100	100	100
Soybeans	-	100	100
Sunflowers	-	-	100
Total farm acreage base	200	300	400
Flexibility (20 percent of farm acreage base)	40	60	80

The flexibility a farmer may use in this situation is that the crop acreage base for any program crop may increase or decrease up to a maximum of 20 percent of the farm acreage base in the first year and up to 10 percent each year thereafter. Accordingly, by including additional crops and acres in the farm acreage base, a producer can increase flexibility in choosing the amount of acreage to plant to a particular program crop. For the first year, the farmer could increase plantings for corn by 40 acres to 140 acres when only program crops are used for determining the farm acreage base and by 80 acres to 180 acres when all crops are used to determine the farm acreage base. However, it should be noted that any adjustments to individual program crops do not change the farm acreage base, so that if the acres planted to one program crop were increased, the acres planted to another program crop would have to be reduced by a like amount.

OBTAINING YIELD DATA AS PROPOSED IN THE BILL MAY PROVE DIFFICULT

The bill proposes a yield determination system that uses actual production evidence as the basis for assigning yields to farms. However, we have some observations that the Congress could consider on the difficulty of implementing such a system for all crops.

The yield formula in the bill uses harvested acres as the basis for determining annual program yields. Consideration should be given to using planted acres for harvest instead of harvested acres since (1) farm program payments are made on the basis of planted acres for harvest and (2) farmers currently report planted acres to USDA.

Further, for determining the yield for program payment purposes, the bill prescribes a procedure of averaging the actual annual yields per harvested acre determined for each of 3 years. Instead of using a simple average for determining average annual yields, consideration should be given to using a weighted average calculation that takes into account the total number of acres planted for harvest in determining program yields.

ASCS state and county officials told us that such a system would be time-consuming and costly and may not provide any better yield data than are now obtained. They said that, under current procedures, county ASCS offices can only accept as proof of production (1) certain warehouse documents, (2) storage bin measurements made by ASCS personnel, or (3) field appraisals by ASCS personnel. They further said that, because few wheat and feed grain producers now prove their yields, going to a system of all proven yields would greatly increase the workloads and that full-time staff could increase by as much as one to four people in each county. Another problem pointed out to us by ASCS officials was the inherent difficulties in verifying that producers do not comingle crops from different years or different farms.

DOUBLE CROPPING PRACTICES

As requested, we obtained information on USDA's procedures for double cropping practices. USDA currently defines double cropping as the practice of planting and harvesting two different crops from the same acreage in the same crop year. This includes situations where the first crop is destroyed after the crop's normal planting season but before harvest and another crop is planted and harvested. According to USDA officials, each of the crops being doublecropped stands alone and the acreage reduction requirements that might apply are treated just as if the crops had been planted on different acreages.

STATES AND COUNTIES SELECTED FOR REVIEW

State	County	Farms reviewed
Arkansas	Desha	25
	Jackson	35
Iowa	Butler	22
	Calhoun	31
	Howard	18
	Kossuth	41
Kansas	Ford	40
	Franklin	13
	Smith	25
	Sumner	42
Minnesota	Freeborn	28
	Martin	31
	Norman	35
	Renville	41
	West Polk	52
Nebraska	Seward	22
Texas	Crosby	36
	Ellis	25
		562

SUMMARY OF
THE AGRICULTURAL EFFICIENCY AND EQUITY ACT

April 24, 1985

SECTION ITEM

102

Farm Acreage Base

A Farm Acreage Base (FAB) will be established for all farms on which at least one program crop (wheat, feed grains, upland cotton or rice) was grown during at least one of the crop years 1981-1985. The FAB will first be established for the 1986 crop.

The FAB will equal a rolling five-year average of the total acreage planted (and considered planted) to all program crops on the farm.

In establishing the 1986 FAB, the county ASCS committee may construct a planting history in cases where records are incomplete or unavailable, or where there was one or more year in which no program crop was produced.

Crop Acreage Base

103 A Crop Acreage Base (CAB) will be established for each program crop produced on a farm. The sum of the CABs may not exceed the farm's FAB, except where the excess is due to an established practice of double cropping.

The CAB will equal a rolling five-year average of the total acreage planted (and considered planted) to the program crop in question.

CAB Adjustment

104 A producer may increase or decrease the CAB for any program crop by submitting notice to the county ASCS committee. The maximum amount of acreage which may be so adjusted is 10 percent of the FAB, except that a 20 percent adjustment will be allowed in 1986 only.

Such adjustments do not change the FAB for a particular year, so that if one CAB were increased, another CAB would have to be decreased by a like amount.

Producers must notify county committees of CAB adjustments 60 days prior to either (1) the program announcement date for the crop then specified in law, or (2) the present announcement date for that crop, whichever is earlier.

SECTION ITEM

105 Eligibility for Price Support and Other Benefits

Only cooperators are eligible for loans, purchases or payments on program crops. A cooperator in any crop year is a producer who has established an FAB and CABs, and who limits his plantings of the crop for which he seeks benefits to the CAB for that crop. The Secretary has discretion to require that the producer also comply with CABs for other crops and with the FAB. Any planting limitation can be waived for short supply or market reasons.

This section would not normally be in effect. It would be suspended and replaced with provisions of a four-year farm bill under normal circumstances, just as now happens to allotments, quotas, etc. This section is a "backup" in case Congress failed to pass a farm bill, since Title II of this bill repeals the allotments and quotas which now constitute a permanent-law "backup."

106 Program Yield

A Program Yield will be established for each program crop produced on a farm. The program yield will equal a five-year rolling average of actual yields per harvested acre for the farm's production of that crop, but the high and low yields will be dropped from the calculation. Years in which the crop was not planted will be disregarded.

The program yield may not increase more than 50 percent or decrease more than 10 percent from the year before. The 1986 program yield will not be less than the 1985 program yield, as calculated under the 1981 Farm Bill.

County committees may adjust program yields if warranted by a significant change in farming practices or by natural disaster. Program yields may be assigned to farms where actual records are unavailable, on the basis of similar nearby farms.

107 Responsibilities of County Committees

County committees are required to maintain FAB and CAB records for the 1986 and subsequent crops. Producers who wish to be considered cooperators will submit acreage records annually. The committee will adjust FABs and CABs annually and notify producers of their bases. Similar duties are prescribed for the county committee with respect to program yields.

County committees may allow a producer to plant a substitute crop without penalty on acreage where the normal crop could

SECTION ITEM

107 (Cont.) Responsibilities of County Committees (Cont.)

not be planted, or was destroyed after planting, by a natural disaster. For purposes of base determination, this acreage will be considered planted to the originally intended crop.

County committees may establish an FAB and CABs for farms where these bases cannot be established otherwise, as in the case of new land purchased by a beginning farmer. The Secretary is required to issue regulations to provide for a fair and equitable procedure in these situations.

The Secretary is also required to establish an appeal procedure whereby any decision under this bill can be reviewed.

108 Definitions; Special Rules

"Planted acreage" for purposes of determining FABs and CABs includes land set aside under supply management programs, unless that land was planted to soybeans.

"Planted acreage" for purposes of determining FABs also includes (1) land devoted to a conserving use in the normal course of farming; (2) land that could not be planted or harvested because of natural disaster; and (3) land planted to soybeans.

However, soybean plantings which caused the producer to exceed his FAB would not be considered planted and thus would not be incorporated into the FAB in future years. This does not limit the production of soybeans in any way; its only application is to the maximum amount of land that can be planted to other crops.

201-206 Price Support Levels for Program Crops and Reconciliation With Permanent Law

Permanent agricultural laws, primarily the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949, are modified by repealing those provisions which deal with acreage and production limitations (allotments, quotas, etc.). They are replaced by the system of FABs and CABs in this bill.

Provisions of permanent law dealing with price support are not repealed.

Acreage and production limitations are repealed only for wheat, feed grains and upland cotton. (Rice allotments were repealed in 1981.)

QUESTIONS AND ANSWERS ON
THE AGRICULTURAL EFFICIENCY AND EQUITY ACT

April 24, 1985

Q. TO WHAT CROPS DOES THE BILL APPLY?

A. Primarily the "program crops," wheat, feed grains, upland cotton and rice. Soybeans are counted in planted acreage for some purposes, as is land in a conserving use, but there is no base assigned to soybeans. Such crops as peanuts and tobacco are not affected.

Q. WHAT IS THE FARM ACREAGE BASE?

A. A rolling five-year average of acres planted and considered planted to the program crops on a particular farm. The FAB is thus an overall cropland base.

Q. WHICH FARMS ARE ASSIGNED A FARM ACREAGE BASE?

A. All farms on which at least one program crop was produced in at least one of the crop years 1981-1985.

Q. IN WHAT YEAR WOULD FAB'S FIRST BE ASSIGNED?

A. In the 1986 crop year.

Q. WHEN 1986 FAB'S ARE ASSIGNED, WHAT WILL HAPPEN IF RECORDS FOR A FARM ARE UNAVAILABLE, OR IF THERE WERE SOME YEARS IN THE 1981-85 PERIOD WHEN NO PROGRAM CROP WAS PRODUCED ON THE FARM?

A. County ASCS committees will have discretion to construct planting histories for such farms, so as to assign an equitable FAB.

Q. WHAT IF THE SAME CIRCUMSTANCES CAME UP IN LATER YEARS, OR IF A BEGINNING FARMER WISHED TO CULTIVATE LAND THAT DID NOT HAVE A FARM ACREAGE BASE?

A. Again, county committees could assign FABs in such cases, in accord with regulations which the Secretary will issue.

Q. WHAT IS THE CROP ACREAGE BASE?

A. A rolling five-year average of acres planted and considered planted to a particular crop on a farm. Adding the CABs, plus any other acreage considered planted, would normally yield the FAB.

Q. IS A CAB ESTABLISHED FOR ANY CROPS OTHER THAN THE PROGRAM CROPS?

A. No.

Q. UNDER WHAT CIRCUMSTANCES COULD THE SUM OF CAB'S EXCEED THE FAB?

A. Only where the excess was due to an established practice of double cropping. The practical effect of this provision is to recognize double cropping as an established practice and allow producers to double crop and still take part in farm programs.

Q. DOES THE BILL, THEN, ASSUME THAT SOME TYPE OF FEDERAL FARM PROGRAMS WILL BE IN EFFECT IN 1986 AND FUTURE YEARS?

A. Though it is likely that Congress will enact some type of farm legislation to replace the 1981 Farm Bill, the base and yield system in this bill would be useful as a means of monitoring the nation's crop production even in the absence of price supports or production controls.

Q. CAN A PRODUCER CHANGE THE CAB FOR A CROP OR CROPS ONCE IT IS ESTABLISHED?

A. Yes. A CAB can be increased or decreased by notifying the county committee at least 60 days before any required program announcement date for the crop in question.

Q. IN CHANGING HIS CAB'S, MAY THE PRODUCER MAKE A CHANGE THAT WOULD LEAD TO OVERPLANTING HIS FAB?

A. No. The flexibility provided to change CAB's does not affect the FAB. Thus, if a producer increased his wheat base, he would decrease another crop base.

Q. IS THERE A LIMIT ON THE AMOUNT OF PERMITTED CHANGE IN CAB?

A. Yes. The maximum amount by which a CAB may be increased (and, conversely, by which another CAB must be decreased) is 10 percent of the FAB, except for 1986, when the maximum allowed is 20 percent.

Q. WHY IS A HIGHER LIMIT ALLOWED FOR THE 1986 CROP?

A. Since one aim of the bill is to ensure an equitable assignment of bases, the greater latitude provided to producers as the program begins will give them a chance to correct any inequities in their present set of bases.

Q. WHY MUST THE PRODUCER NOTIFY HIS COUNTY COMMITTEE IN ADVANCE OF THE ANNOUNCEMENT OF THAT YEAR'S PROGRAM?

A. USDA would need this information in order to project crop production for that year and thus implement, if necessary, some form of supply management. If producers were allowed to change their CABs after the program was announced, and still receive program benefits, then farmers would be making their planting decisions on the basis of government programs rather than market signals or wise conservation practices. In addition, USDA's program would become much less effective in achieving its goals.

Q. BUT IS NOT THE 60-DAY REQUIREMENT INCONSISTENT WITH THE CONCEPT OF FLEXIBILITY? HOW CAN THE FARMER MAKE HIS DECISIONS THAT FAR IN ADVANCE?

A. First, even with the advance notice required, farmers will have considerably more flexibility under this bill than they have at present. Under current policy, a farmer's base is determined by planting decisions he makes with respect to the two previous years' crops -- no adjustment at the producer's discretion is allowed.

Second, under this program, farmers would have the same flexibility to plant "outside the program" that they have now. If, after changing his base, the farmer were not satisfied with the program announced by the government, he could choose to forgo program benefits that year and plant whatever he wished.

Q. WHAT PENALTY IS ATTACHED TO A VIOLATION OF ANY OF THESE BASE PLANTING REQUIREMENTS?

A. The producer would become ineligible for federal price and income supports. This provision is set forth in section 105 of the bill. However, this section would be regularly superseded by four-year farm bills, and these could change the penalties in any of a number of ways -- either by tightening them (e.g., by requiring cross compliance or even mandatory controls) or loosening them (e.g., by prohibiting cross compliance).

These questions should be answered in the debate over the 1985 Farm Bill, not through this legislation. Therefore, although section 105 provides a tie-in to price support law in the event no farm bill is passed in 1985, this section is clearly intended to be inoperative -- a "dead letter" -- under normal circumstances.

Q. WHY IS IT NECESSARY FOR THE BILL TO CONCERN ITSELF WITH PRICE SUPPORT AT ALL?

A. The bill puts the system of FABs and CABs into permanent law, taking the place of the present system of allotments and quotas (also contained in permanent law but routinely suspended by four-year farm bills). To do this, Title II of the bill repeals these older forms of supply control as they affect the program crops. But provisions of permanent law which mandate high, parity-based price supports (also routinely suspended) are left intact. If there were no connection between compliance with FAB/CAB planting limits, and if at some point Congress failed to pass a farm bill, then the consequent reversion to permanent law would mean that USDA would have to support prices at very high levels but could not restrain production because there would be no authority to enforce the planting limitations implicit in the base system.

The more likely case, of course, is that a farm bill will be passed. Then section 105 would probably be suspended and replaced with whatever system of price and income supports and production controls Congress felt appropriate for that farm bill cycle.

Q. DOES SEC. 105, TO THE EXTENT IT MIGHT BE IN EFFECT, REQUIRE A PRODUCER TO LIMIT HIS PLANTINGS OF A PARTICULAR CROP TO HIS ADJUSTED CAB IF HE WANTS PRICE SUPPORT?

A. Yes. This, of course, is identical to current practice.

Q. TO WHAT EXTENT WOULD SEC. 105, IF IN EFFECT, REQUIRE CROSS COMPLIANCE?

A. The Secretary is provided three options: He may enforce cross compliance -- that is, require a producer to comply with his FAB and CAB limits for all crops if he wants price support. He may also suspend cross compliance, and indeed any planting limitation, if he determines that short supplies or market factors make it necessary. Finally, he may suspend cross compliance purely as a policy decision, without reference to short supply or other reasons.

Q. DOES THIS NOT LEAVE THE QUESTION UNANSWERED WHETHER CROSS COMPLIANCE OUGHT TO BE REQUIRED AS A MATTER OF POLICY?

A. Yes, because that is not a question that is appropriate to answer in a bill which seeks only to construct a workable and fair system of bases and yields.

Q. IF CROSS COMPLIANCE WERE IN EFFECT, WOULD THIS AFFECT IN ANY WAY A PRODUCER'S ELIGIBILITY FOR BENEFITS ON TOBACCO, PEANUT OR SOYBEAN PRODUCTION?

A. No. The program eligibility applies only to wheat, feed grains, upland cotton and rice.

Q. IF A PRODUCER WERE OUT OF COMPLIANCE ON ONE FARM HE OPERATED, WOULD HE AUTOMATICALLY BE OUT OF COMPLIANCE ON ANY OTHER FARMS HE MIGHT OPERATE?

A. No. The bill speaks of support for crops produced on "a farm," rather than "any farm." Thus, the bill does not require offsetting compliance.

Q. WHAT IS THE PROGRAM YIELD?

A. A rolling five-year average of actual yields per harvested acre, with the high and low yields dropped from the calculation.

Q. IS THERE A LIMIT ON HOW MUCH THE PROGRAM YIELD CAN CHANGE IN ANY ONE YEAR?

A. Yes. A given year's program yield cannot be less than 90% or more than 150% of the previous year's program yield.

Q. WHY ARE THESE LIMITS PLACED ON YIELD CHANGES?

A. To provide some stability and predictability for producers.

Q. WHY IS A LIMIT PLACED ON INCREASES AS WELL AS DECREASES IN YIELDS?

A. If there were no "top side" limit, but a "down side" limit were enforced, yields would tend to become inflated over time, since losses would not be reflected fully.

Q. WHY IS THE "CEILING" ON YIELD INCREASES HIGHER THAN THE "FLOOR" ON YIELD DECREASES?

A. Too low a ceiling would not allow producers flexibility to "work out of" successive years of disastrous yields in a relatively short period of time. The ceiling, it should be recalled, does not inflate the basic calculation of the average yield -- it merely allows either more or less of the amount of year-to-year change in that calculation to be incorporated into the assigned program yield.

Q. IS THERE A FURTHER PROVISION FOR THE 1986 PROGRAM YIELD?

A. Yes. The 1986 program yield will not be less than the 1985 program yield as calculated under the 1981 Farm Bill -- in effect, a one-time floor of 100% rather than 90%.

Q. WHY IS THIS ONE-TIME HIGHER FLOOR PROVIDED?

A. To provide added stability as the transition is made from present yield calculations to the new system and allow producers to begin operating under this system in no worse position than under the previous system.

Q. NOTWITHSTANDING THE PRESCRIBED FORMULAS, MAY THE COUNTY COMMITTEE ADJUST PROGRAM YIELDS?

A. Yes, but only as USDA regulations may allow. Such an adjustment could be made if a change in farming practices (such as a change from dryland to irrigated farming) materially and permanently changed the land's productive potential, or if calculated program yields did not accurately reflect the land's capacity because of successive natural disasters.

Q. WHAT IF ACTUAL YIELD RECORDS FOR A PARTICULAR FARM ARE NOT AVAILABLE -- FOR EXAMPLE, IN THE CASE OF GRAIN WHICH IS FED ON-FARM?

A. In such cases, the county committee may assign a program yield on the basis of similar nearby farms.

Q. MAY THE COUNTY COMMITTEE ALLOW A PRODUCER TO PLANT A SUBSTITUTE CROP -- FOR EXAMPLE, WHERE FLOODING PREVENTED THE PLANTING OF THE ORIGINALLY-INTENDED CROP?

A. Yes. Such substitution may be allowed if a natural disaster prevented the planting of a program crop or destroyed the crop after planting.

Q. HOW IS SUCH ACREAGE COUNTED FOR PURPOSES OF DETERMINING CAB'S AND THE FAB FOR THE FOLLOWING YEARS?

A. Substituted acreage will be considered, for these purposes, as having been planted to the originally-intended crop.

Q. BESIDES ACREAGE ACTUALLY PLANTED TO A PROGRAM CROP, WHAT OTHER ACREAGE IS INCLUDED IN THE FAB AND CAB'S?

A. Any land set aside under supply control programs, unless planted to soybeans, is considered planted for purposes of setting CAB's and the farm's FAB.

Q. ARE CERTAIN USES OF LAND INCLUDED IN THE OVERALL FAB, BUT NOT IN PARTICULAR CAB'S?

A. Yes. The FAB includes the following --

- Land devoted to a conserving use in the normal course of farming operations (for example, certain rotation patterns), as determined by the county committee under regulations issued by the Secretary;

- Land that could not be planted or harvested because of natural disaster;

- Land planted to soybeans, unless soybean plantings caused the producer to exceed his FAB. In that event, the excess soybean acreage above the FAB would not be considered planted for purposes of future FAB determinations.

Q. DOES THIS PROVISION REQUIRE PRODUCERS TO LIMIT THEIR SOYBEAN PLANTINGS AS A CONDITION OF PROGRAM ELIGIBILITY?

A. No.

Q. THEN WHY ARE EXCESS SOYBEAN PLANTINGS NOT CONSIDERED FOR LATER FAB CALCULATIONS?

A. Because such plantings, were they not so omitted from consideration, could be a "back door" method of increasing plantings of other crops without penalty.

Q. HOW MIGHT THIS HAPPEN?

A. A substantial expansion of planted soybean acreage, if added to the FAB, would expand the acreage which could subsequently be shifted from one CAB to another with respect to other crops. Thus, a loophole might be created by which the net acreage of, for example, cotton and wheat would expand without penalty.

Q. HOW DOES THE STIPULATION IN THE BILL DISCOURAGE THIS?

A. It specifies that, if a producer expands his soybean acreage beyond his FAB, though there is no penalty with respect to soybeans, he will not subsequently be able to use that expansion to boost plantings to other crops without penalty.

Q. WERE THE STIPULATION OMITTED, WHAT ADVERSE EFFECTS ON VARIOUS CROPS MIGHT THERE BE?

A. Program crops would be adversely affected because a method of expanding their production without regard to either program or market signals would be created.

Soybeans would be adversely affected because an artificial incentive would exist to expand soybean acreage merely as a means of later expanding other crop acreage.

Q. WHAT DOES TITLE II OF THE BILL DO?

A. It repeals those provisions of permanent law (mostly the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949) which limit production and marketing of program crops through allotments, quotas and the like.

Q. WHY ARE THESE PROVISIONS REPEALED?

A. Because the system of FABs and CABs is intended to become permanent law. A conflict would be created if both systems were simultaneously on the books.

Q. FOR WHAT CROPS ARE ALLOTMENTS AND QUOTAS REPEALED?

A. Only for wheat, feed grains and upland cotton. Allotments for rice were repealed in 1981. Allotments and quotas for other crops are not repealed.

Q. ARE PROVISIONS OF PERMANENT LAW DEALING WITH PRICE SUPPORT REPEALED BY TITLE II?

A. No.

Q. ARE THESE ALLOTMENTS AND QUOTAS IN EFFECT NOW?

A. No. They are routinely suspended by four-year farm bills.

WHY A BASES AND YIELDS BILL?

6 REASONS WHY A CONSENSUS SYSTEM OF ACREAGE BASES AND PRODUCTION YIELDS SHOULD BE WRITTEN INTO PERMANENT LAW, NOT 4-YEAR FARM BILLS:

1. REMOVE UNCERTAINTY & ALLOW BETTER PLANNING

   Under the present system, base-and-yield formulas must be reauthorized and revised at least every four years by Congress. Thus, farmers' ability to plan long-range is limited.

2. PROVIDE A "SKELETAL STRUCTURE" FOR FUTURE FARM PROGRAMS

   Almost any conceivable farm program will require some method of assigning acreage to be planted and a productive capacity associated with it. The proposed system allows for a wide variety of farm programs.

3. ALLOW FLEXIBILITY TO RESPOND TO MARKET AND ENVIRONMENTAL CONDITIONS

   The proposed system lets farmers shift their production for conservation reasons or in response to market signals.

4. INCREASE PROGRAM PARTICIPATION THROUGH MORE EQUITABLE, FLEXIBLE AND PREDICTABLE SYSTEM

   Many farmers do not participate in farm programs now because of perceived inequities in their acreage bases.

5. PROVIDE GREATER CONSISTENCY BETWEEN CROPS

   Current formulas, especially for yields, are not consistent between different crops.

6. REMOVE ISSUE FROM FUTURE POLITICAL DECISIONS

   The present arrangement makes bases and yields subject to the prevailing political winds every four years (or more often).

THREE AIMS OF THE BASES AND YIELDS BILL:

1. EQUITY

   Create a system of bases and yields that will be consistent for all program crops, and acceptable to all production regions.

2. FLEXIBILITY

   Allow participating farmers to respond to market signals and follow conservation practices without penalty.

3. PREDICTABILITY

   Write a system of bases and yields into permanent law to permit long-range planning and remove uncertainties associated with the present system.

GENERAL FARM BILL OF 1985

FRIDAY, MAY 17, 1985

House of Representatives,
Committee on Agriculture,
Syracuse, NY.

The committee met, pursuant to notice, at 10 a.m., in the auditorium, State Fair Grounds, Syracuse, NY, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Also present: Representative Wortley and Senator D'Amato.

Staff present: A. Mario Castillo, chief of staff, and Marshall Livingston.

OPENING STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The Chairman. Good morning.

The committee will be in order.

We are here today at the invitation of New York's distinguished Governor, Senators, and most members of the New York delegation, and from our own desire, as members of the House Agriculture Committee, to visit with interested citizens and producers about the prospective farm legislation that we are in the process of getting concensus on now.

Since last year, we have traveled throughout this country, and we are very happy that we are able to come to New York.

We did not come with a large number of members because the purpose of these meetings is to build a record of your concerns, your suggestions, and take back to the committee our findings and your recommendations.

We have a hearing here today and tomorrow in New York City, to accommodate the downstate area people.

I would like to ask your cooperation in several respects:

One, for all who have prepared statements, your formal statement will appear in the record in its entirety if you summarize. So, you do not necessarily have to read all of your statement because those who read the text for information, as we write the legislation, will get the full impact of your statement.

Second, we would ask that you hold your presentation to as short a time as possible so that you can enable the other witnesses, your friends and neighbors, to participate, since we have approximately 40 witnesses scheduled today.

We will stay until all witness have been heard, but it would be nice if we could conclude at a reasonable time this evening.

The third area that I would like your cooperation with, concerns the list of the prospective witnesses.

I am not going to follow that list, but rather switch back and forth so that we can get a better input and contribution from interested citizens.

I appreciate all of you being here, and also would inform those persons interested in dairy, that the Livestock, Dairy, and Poultry Subcommittee will be coming to New York for a couple of hearings next month, and in order to avoid duplication anyone who makes a presentation on dairy today will not be allowed to make the same presentation to the subcommittee.

It is my honor and privilege to recognize your Congressman and our good friend and colleague, George Wortley, who sits with us today; and the Senator from the State of New York and my good friend, Senator D'Amato.

STATEMENT OF HON. ALFONSE M. D'AMATO, A U.S. SENATOR FROM THE STATE OF NEW YORK

Senator D'AMATO. That is very gracious of you, Mr. Congressman.

Mr. Chairman, in keeping with the spirit that you have enunciated, I am going to ask that my prepared text be placed in the record as if read in its entirety. I will attempt to summarize portions of it.

First of all, let me express our profound thanks for your coming to New York, for your recognition of the fact that New York is not just New York City. We are not just high rises; we are not just subways; we are not just urban areas; indeed, our No. 1 industry is agriculture, which is represented so significantly in the central northern, and southwestern part of our great State.

And as the chairman indicated at the press conference, the fact is that many of our own New Yorkers do not recognize how substantial and how important the agricultural industry is to our State.

It is a $3 billion a year industry. There are more than 400,000 people who are employed either directly or indirectly as a result of this industry.

However, all is not well with New York farmers. Our economic well-being is threatened by high interest rates, by Government policies, and by unfair trade competition.

I would suggest that our farmers can compete against anyone, but we cannot compete against farmers in other countries who are supported by their governments. For instance, we cannot compete against the Canadian Treasury.

I do think that, as it relates to the dairy area, we cannot face another reduction in price support programs.

Then we have to look for a more sensible approach to pursue a policy related more to the market and less to the political climate.

Lest I start off in the wrong way, Mr. Chairman, let me simply say that I deeply appreciate your understanding of the importance and the significance of the agricultural industry here in New York. The fact that you have taken time from your busy schedule to be here with us today heartens me, and I believe this will give a great deal of our honor to our farmers who face these difficult problems.

The CHAIRMAN. Thank you very much, Senator, and we do appreciate your being here for your contribution means a lot to us.

[The prepared statement of Senator D'Amato appears at the conclusion of the hearing.]

The CHAIRMAN. Congressman Wortley.

STATEMENT OF HON. GEORGE C. WORTLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. WORTLEY. Thank you, Mr. Chairman.

I ask unanimous consent that my opening remarks be included in the record, and if I might just summarize.

1985 is the year that we rewrite the Agricultural Act in this country. This is a critical year, and this is an important year, because New York farmers are going to have an opportunity to have some major input into that bill.

The single most important architect in the framing of the 1985 Agricultural Act is Chairman de la Garza, and it is an honor and a pleasure for me to have him in our district today.

American agriculture is at a critical stage, and the current policies just are not working. A major shift in agricultural policy is essential at this point in time.

We have got to get some of the politics out of agriculture, and perhaps put in some of the forces of the marketplace. We cannot afford to keep prices above the world prices. We cannot continue propping up inefficient and ineffective farmers.

We must move into a market-oriented system, but not overnight, something that can be done on a gradual basis, an evolution and not a revolution. And the farmers themselves must work together and try and come up with a consensus on agricultural policy, and if you think it is difficult to write an agricultural bill in Congress, you are right, because it is extremely difficult to find the consensus among the farmers of America on almost any subject, among the dairymen themselves, among the grain farmers, the soybean farmers or anyone else.

Our production in dairy is down somewhat. We have seen some improvement as a result of the last bill that we put in, bringing the market forces a little closer to balance.

Production is down a little bit; demand is up a bit; but there are still many uncertainties in the marketplace. Milk output is down only about half of the Commodity Credit Corporation purchases, and in the last quarter of 1984, there was no change in sales.

An astronomical level of dairy replacements exist today, even though we in New York State—we in New York State have seen the situation where there has been somewhat of a shortage of supply and many of our cheese plants have had to be shut down for several months at a time.

A major problem the dairy farmers have is casein, the importation of casein from Australia and New Zealand; and I am pleased to tell you that we have introduced legislation at the request of Senator Riford, chairman of the New York State Senate's Agricultural Committee. He has prevailed upon many of us in the House to sponsor legislation which will change that, those imports and reduce them extensively.

We need to have more trade talks, and I am glad to see that Secretary of Agriculture Block, just in the past few days, has announced that a Commission has been created to begin those talks with the Canadian Government to see what we can do about eliminating that dumping of Canadian cash crops into the New York State market.

We must continue another very important thing, particularly to those of us in New York State as the continuation of a vital Soil Conservation Program.

Those of you who may live around Otisco Lake area of central New York know that we have just begun to put a program of implementation over there, and we must continue a strong Soil Conservation Program in this country.

Mr. Chairman, we came here today, not to offer the solutions; we came here to listen to the problems, and to listen to your solutions.

And I urge us to get on with the program, and I yield back the balance of my time.

[The prepared statement of Mr. Wortley appears at the conclusion of the hearing.]

The **CHAIRMAN**. Thank you very much, Congressman.

I am very happy to be in your district, and to be with you today.

The next witness is the commissioner of agriculture for the State of New York, Joe Gerace.

Again, so that we do not have to be reminding each witness, anyone who has prepared remarks the full statement will appear in the record as if read, and you may summarize.

Commissioner.

STATEMENT OF JOSEPH GERACE, COMMISSIONER, NEW YORK STATE DEPARTMENT OF AGRICULTURE AND MARKETS

Mr. **GERACE**. Thank you, Mr. Chairman, and I, too, add my thanks for your visit here and the sacrifice that you are making away from your family to visit New York; and I appreciate having visited you with a delegation of New York farmers, that what the Senator said about you is true: you recited more facts about New York agriculture than I have heard from some New York representatives.

You have already had my full statement, and I will not read that. You already have a recital, too, of how big agriculture is in New York.

Food and agriculture business combined in New York is a $10 billion business, so it indeed is a big industry, and indeed we are concerned; and this year's critical to us in New York as much as it is out in the West and the rest of the country to the farmers out there.

In New York the net farm income is half of what it was 4 years ago, and not many people I know could live today on half of what they earned 4 years ago.

And there is no community in New York or anywhere else that is untouched by agriculture. So, as you consider the farm bill, we ask you to consider, not just as a bill for farmers, but as an economic development bill for every community in our Nation.

One out of five people in New York work in food and agriculture business. One out of five paychecks in New York depend on food and agriculture business.

You mentioned dairy, and since it represents 60 percent of our agricultural industry, I want to dwell on that for a moment.

In 1960, just 25 years ago, we had 42,000 dairy farms. Today, we have about 15,000, and they're steadily decreasing. If you read the newspapers here in this area, you will see auctions every week of farms and farmers that are going out of business who do not want to go out of business.

Production for dairy farming has nearly tripled in those 25 years. Higher farm costs and lower prices for milk have squeezed many dairy farmers to the breaking point.

So, we have a condition of fewer cows, fewer dairy farms, more milk; and these are the trends that we asked you to bear in mind as the committee decides the 1985 farm bill.

We estimate that under the Dairy Diversion Assessment Program of 1983, New York farmers paid $75 million in assessments, and will receive $37 million in diversion payments. That means $38 million flowed out of New York to pay dairy producers in other parts of the country to cut back their output.

National milk production declined 2.8 percent in 1984. New York milk production declined nearly 3 percent, while California milk production increased 3.2 percent.

The Dairy Diversion Assessment Program obviously had an impact that differed significantly from region to region, and the outlook, as the Senator indicated, is not good.

The administration dairy proposal would cut the support price in several steps, possibly to as low as $10.60 per hundredweight.

There would be a move from support prices to target prices on October 1, 1987.

Let's go back a step:

The USDA estimates that total cash expenses may average about $10.73 per hundredweight for 1984, leaving no money for dairy farmers to live on.

And these farm expenses are certainly unlikely to decline.

The administration program will lead to a cycle of low prices, driving the dairy farmers out of business, and then to tighter milk supplies and rising prices, encouraging more production and then driving prices down again.

And there would still be fewer farms, and I have to tell you, substantially increased hardship in our rural communities.

My recommendations for the Federal Dairy Program differ from the Reagan administration. I would like to briefly outline those.

One, the 1985 farm bill should provide a long-term dairy price support program assuring dairy farm families of a stable price for milk even under adverse supply-demand conditions.

Supply-demand adjustments should automatically relate the support price to the volume of Government purchases, allowing the support price to decline when the CCC purchases increase, and to increse when CCC purchases decline.

And it may be necessary to increase the class 1 differential to assure milk production near population centers.

Two, dairy import quotas should be continued and consideration should be given to including casein under the section 22 quota.

Funding for the USDA Special Milk Program should be restored and continued. This program provides nutritional benefits to needy children in schools and is an important outlet for fluid milk.

And I spoke to school representatives who told me that the milk consumption in the schools, since this program dropped, has dropped 25 percent in the schools of the State of New York.

Congress should require the Food and Drug Administration to revise the nutritionally equivalent standard for imitation cheese products because they are penetrating severely into the real milk, if you will, and real cheese.

The producer-funded National Dairy Promotion Program should be continued because we have noted a leveling off of the steady per capita consumption of milk. In fact, you have seen a slight increase in it, and if it keeps up, you will not have to worry about excess surplus purchases by the Government.

We would like to see increased dairy market and product development programs, both at the Federal and local levels.

We must begin to understand more clearly the impact of the small and mid-sized, full-time commercial farms on local economies.

And we must find some mechanism to support them in the face of farm business cycles like the one we are in now.

Driving farmers out of business does tangible damage to rural and urban economies. And I am convinced that we must find a way to maintain farm family income during the down side of the cycle so that they will be able to continue to contribute to our economy on the up side.

We are deeply concerned about the administration proposal to eliminate the deductibility of State and local taxes from the Federal income tax levy, and the Federal income tax. This would mean fewer dollars in New York and other States for the development of agriculture.

Farm income will not return to reasonable levels until the record Federal deficit is reduced and interest decline, and agricultural exports are increased.

We should then encourage the adoption of an agricultural trade policy that treats all commodities fairly.

The present antidumping petition process of the International Trade Commission is too costly and is too time consuming for many farmers, and we would support legislation providing better means for farmers seeking remedies for subsidized agricultural imports.

Soil and Water Conservation, the Congressman has alluded to that—it must be on a long-term basis and integrated with Federal price support programs through sodbuster legislation to discourage production on land that is vulnerable to erosion and depletion.

The Reagan administration funding cuts for Soil and Water Conservation Programs should be restored, and Congress should work with the States to fund an integrated Pest Management Program, to allow farmers to reduce the use of pesticides and to reduce their cost.

A long-term national policy will allow farmers and agribusinesses to plan for the future.

In New York, under the leadership of the Governor, we have just released a major study entitled "New York Agriculture 2000," that looks at agriculture as it will be, and should be, in the year 2000, so we can develop our own long-range planning; and I know other States are doing that.

We must have a long-term approach to farm policy, not only for our own security but for the stability and peace of the world.

I urge Congress to consider the creation of a commission to investigate and recommend a long-term agricultural policy for the United States so that we need not resort to the band-aid of the medicine cabinet.

The American public now recognizes more than ever the role of agriculture in our national life. This is a good time and a good season to make a fresh start, and we in New York are not just relying on you at the Federal level to solve our problems. The Governor has, with his agricultural initiatives, set forth in his budget over $1.3 million for the marketing, development of marketing of New York agricultural products so that we can get a bigger piece of the market, and money for research and money for product quality, and money for technical assistance to agribusiness.

We are not asking that you do it yourself. We are willing to do our part as well.

Thank you very much.

[The prepared statement of Mr. Gerace appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, commissioner. We appreciate your contribution and the good work that you do here.

Now and then, I might interject a word here and there, but the commissioner mentioned that the problem with agricultural pests, and it seems that in my years as subcommittee chairman, I made a career of fighting with the Golden Nematode in New York. I think we finally got it worked out.

We appreciate your being here and all your assistance.

We are going to skip around now and are going to ask those listed on panel 5 if they will come to the witness table.

Mr. Griffen, president, New York Farm Bureau; Joyce Kitchen; and Don Helem.

Will the charming lady, Mrs. Kitchen, kindly give us her testimony.

STATEMENT OF JOYCE C. KITCHEN, PRESIDENT, ONEIDA COUNTY FARM BUREAU

Mrs. KITCHEN. Thank you.

I'm Joyce Kitchen, president of Oneida County Farm Bureau.

In Oneida County, agriculture is the No. 1 industry. I would like to thank you for allowing me to speak today on behalf of over 600 members of the Oneida County Farm Bureau.

Sitting in the heart of central New York State, Oneida County's rich farmland soils make up approximately 1,300 family farms averaging in size from 300 to 500 acres, the majority of which are dairy farms.

Among the many farm products in the county are apples, potatoes and other vegetables, corn, grains, lumber, beef, flowers and plants, honey, and dairy products.

In Oneida County farming is a self-perpetuating industry. Farmers have lived and worked for generations on the same farm. However, times are changing due to inflation, high interest rates, Canadian and other imports, and the Diversion Program.

Many of our farms have gone out of business and lay idle, leaving valuable cropland to be devoured by urban expansion.

Young farmers are easily discouraged after starting out. It takes too many dollars at high interest rates to keep farming today. Young farmers are our future. We have to do something now to encourage them to stay in business.

All segments of society suffer directly or indirectly when our farmers are in trouble. I have heard Chairman de la Garza speak many times of the possibility of these things happening. Right now, money is very tight, and farmers are buying very carefully or not at all.

Many machinery dealers, other farm equipment dealers, feed stores, seed and fertilizer dealers, grocery stores and clothing stores, whatever the farmers buy from are hurting.

Oneida County Farm Bureau members, as a group, make policy from the grass-roots level. These policies are implemented on a local, State and national level by our members and lobbyists. We need you to support the policies at your national legislative level.

We ask that you support farm bureau's 1985 farm bill. Farm Bureau members have elected to move toward the marketplace and feel that a longer term approach to farm policy is needed.

The farm program proposed by H.R. 1965 and S. 908 will enable the agricultural economy to become more responsive to national and international agricultural market conditions.

It will also provide for an orderly transition to a more market-oriented economy without pulling the rug out from under the farmers.

We support a Dairy Price Support Program which will bring supplies down to demand levels. We favor a system where the price support level would be automatically adjusted according to the amount of net dairy products purchased by the Federal Government and oppose any assessment of producers by the Federal Government as a part of any future dairy legislation.

Oneida County soils are a major source of wealth to its farms. We feel a conservation program should be continued and is necessary for owners and operators of erosion-prone land to assist them in conserving soil. A producer who brings fragile land into production should be ineligible for any farm program benefits.

Imports from Canada and other countries are seeping into our economy due to extensive subsidies being provided for their producers. Our producers do not want to inhibit trade. They only want to be able to compete on a fair trade basis.

Farm bureau feels: One, USDA should determine the extent of use of Canadian and Argentine subsidy programs; two, adequate funding should be ensured for FDA inspection and testing of imported products; three, our commodities should be recognized in the

GATT talks; and four, the budget should be balanced to decrease interests rates.

Our Federal Government cannot continue to spend beyond our means. Our farm bureau members support a mandated annually balanced Federal budget. Deficit is a result of overspending and should not be addressed by increased taxes. Farm Bureau is proposing to help cut agricultural outlays by decreasing price supports and other related agricultural program expenditures, but we cannot take an unfair amount of cuts, particularly when defense is permitted to grow.

I wish to thank Senator D'Amato, Chairman de la Garza, and other House Agriculture Committee members for bringing this hearing to New York. I hope that you have become aware that upstate New York is indeed thousands of acres of fertile soil worked by family farmers; and we hope you can help us to maintain this.

The CHAIRMAN. Thank you very much.

Mr. Griffen, we will be happy to hear from you at this time.

STATEMENT OF PHILIP C. GRIFFEN, PRESIDENT, NEW YORK FARM BUREAU

Mr. GRIFFEN. My name is Phil Griffen. I own and operate a 650-acre, 100-cow dairy farm in Saratoga County, NY.

Currently, I am president of New York Farm Bureau, whose membership is comprised of approximately 22,600 farm family members.

I would like to thank the House Agriculture Committee for the opportunity to comment on this bill, particularly, you, Chairman de la Garza.

I would like to thank Senator D'Amato for his influence on this hearing and Congressman Wortley for supporting H.R. 1965.

The farm bill issue is important to New York State for many reasons. First, agriculture is New York's largest business. Our 48,000 farms produced an income of $2.9 billion in 1982. More than 400,000 New York jobs are generated from agriculture and agribusiness.

Second, the largest component of New York's agriculture is the dairy industry. We rank third nationwide in total volume of milk produced.

Gross receipts from dairy farming, $1.5 billion in 1982, comprised 58 percent of New York's total farm cash receipts.

Even though New York's 17 million citizens consume approximately the same amount of milk and dairy products produced by New York dairy farmers, Federal dairy policy has a direct impact upon prices received by the dairymen in this State.

Third, the general well-being of American agriculture affects us all through increased exports and decreased trade deficits. All of us in agriculture want to see the United States regain the export market we have lost. A realignment of national farm programs is a major step in the right direction.

As a dairy farmer, I experience the tough economic conditions on a daily basis. Our current problem can be attributed to the following major causes:

First, high interest rates as the result of the Federal deficit;

Second, the strong American dollar; and

Third, the National agricultural policy.

High interest rates have a significant impact on the cost of doing business. U.S. agriculture currently requires approximately $80 billion each year for short-term credit, and has a $120 billion outstanding long-term debt. A 1-percent decline in interest rates would translate to the farm as a 5-percent increase in net farm income.

The strong American dollar has had a significant impact on our ability to compete in world markets. This situation has been a boon to the industrial nations because the dollar has made their products cheaper in the United States.

However, our goods are priced artificially high when the American dollar continues to rise against the foreign currency. A $37 billion trade deficit in 1984 attests to this fact.

National agricultural policy has worked hand in hand with the strong American dollar in discouraging U.S. exports while simultaneously signaling the farm sector to keep on producing.

Commodity prices for wheat, feed grains and dairy products have been maintained at levels attractive for America's farmers, yet uncompetitive on world markets.

We acknowledge that domestic dairy products could never compete on a world market. However, high Government support prices have been the primary factor for the tremendous imbalance between supply and demand for dairy products.

To make matters worse, these ineffective Federal farm programs cost the U.S. taxpayers $14 billion in 1984.

The 1985 farm bill comes at a time when the U.S. agricultural industry must make some major shifts in policies if it is to remain a viable industry.

The fundamental concept of farm bureau's farm bill, H.R. 1965 and S. 908, is that supply and demand in the marketplace rather than Government action should ultimately determine price and production levels of farm commodities.

Once again, the U.S. agriculture would be market-oriented and market-responsive.

To accomplish this goal, farm bureau's farm bill includes the following concepts:

Commodity loans—commodity loans provide a price floor for wheat, feed grains, soybeans and rice. High commodity loan rates have been a major reason why these agricultural commodities have been overpriced in world markets.

Farm bureau's farm bill proposes that the loan rates be set at 75 percent of a 5-year moving average market price, excluding the high and low years.

A loan rate adjustment of not more than 10 percent per year could occur.

By tying the commodity loan rates to the market price, we are reestablishing the loan as a safety net or a marketing tool that farmers may use as assistance in marketing their wheat and feed grain commodities through normal marketing channels.

No longer would commodity loans establish an artificially high market price. As a result, the Government expenditures for wheat and feed grains could be substantially reduced.

The American farmers are low-cost producers of farm products. Yet, high loan rates made it easy for competitors to undercut our prices and turn us into a residual supplier.

By tying the loan rate to the market price, a clear signal will be sent to our foreign competitors, that the United States, once again, will be competitive in the world markets.

Target prices is the second point of our program. Farm bureau's farm bill retains the concept of target prices for producers of major export commodities as a means to offset export subsidies instituted by many of our foreign competitors. The goal of our target price program is to assist the American farmer in the transition to a more market-oriented agriculture.

Farm bureau proposes freezing 1986 target prices at 1985 levels. Beginning in 1987, the target prices would be set at 110 percent of the average market price used to determine the loan rate. An annual adjustment of no more than 5 percent would be permitted. Deficiency payments would be subject to a $50,000 limitation.

Stocks policy—in the past the United States has held surplus grain stocks while foreign producers captured a bigger share of the marketplace. The U.S. taxpayers picked up the cost of this storage and supply reduction programs.

Farm bureau proposes eliminating the Federal farmer held reserve and simply extending the regular CCC Loan Program for an extra 9 months. The farmer held, but Government-managed grain reserve was sold on its notion that it would make us a reliable supplier.

The attractive loan premiums and storage payments have been effective in drawing huge quantities into the grain reserve. However, the reserve program has been very ineffective in enhancing domestic grain prices.

Exports—farm bureau's farm policy favors an aggressive market development effort. This would include an Export Bonus Program, using CCC and grain reserve stocks to offset the advantage of export subsidies offered by other countries.

Since production from one-third of our cropland acres is exported, it is imperative that new foreign markets are aggressively pursued.

Dairy policy—farm bureau's proposal for the dairy portion of the 1985 farm bill contains four basic parts:

Continuation of the Dairy Price Support Program;

The establishment of the price support level at 90 percent of the average of 3 years all milk price;

Further adjust the support prices up or down, based on the expected CCC purchases.

Give standby authority to the Secretary of Agriculture to further adjust the support price downward, no more than 3 percentage points over a 6-month period, if Government purchases are to exceed 8 billion pounds of milk equivalent.

This program is designed to continue to correct the milk supply-demand imbalance and maintain a stable industry, while substantially reducing Government expenditures for surplus dairy products.

Through implementation of our program, dairy farmers once again will be producing for the marketplace rather than the Government.

Approximately 1 year ago, dairy producer organizations throughout the Northeast got together to discuss provisions for the dairy portion of the 1985 farm bill.

This group of farm organization leaders have been meeting on a regular basis and have come to be known as the "1985 Farm Bill Committee."

New York Farm Bureau is proud to be a part of this effort.

Farm bureau's dairy program embraces the policy position of the 1985 Farm Bill Committee. Farm bureau and the 1985 Farm Bill Committee do not support any form of farmer assessed supply control program.

From a Northeast perspective, the Diversion Program cost dairy farms $110 million. The 50 cent assessment created a $160 million outflow while participants brought back only $50 million in diversion payments. The Northeast certainly lost more than they gained on the program.

Future farmer assessment programs can only have a negative impact on the Northeast dairy industry. We will be paying for the inability of the Midwest and Far West to adjust their milk production to the marketplace.

No other agricultural commodity sector, except for tobacco, has been assessed for producing too much product. The problems of the tobacco industry have come from strict Government control. We do not want the dairy industry to follow that same course.

The Northeast has been unified against any form of assessment program. Farm bureau will continue to oppose the programs containing such provisions.

Farm bureau's farm bill [H.R. 1965/S. 908] is a very positive step toward a more market-oriented agriculture, while maintaining a reasonable safety net set under production, during this current time of economic difficulty.

We encourage you to join with your colleagues in the Senate and the House—such as Congressman Wortley—in cosponsorship of this bill.

Thank you very much for this opportunity to testify.

The CHAIRMAN. Thank you very much.

We appreciate your testimony.

Due to time limitations, we are not going to ask too many questions today, but I would like to ask one question of you, Mr. Griffen.

By market oriented, or meeting the market, do you mean any price market, and would you gear production to sell at any price just because that is the market price?

Mr. GRIFFEN. I said more market oriented; I did not say free market. There is no free market.

Market oriented is getting back toward that market supply/demand consumers—we cannot produce more than the consumers will eat for a very long time without being in a situation which we are in today, spending huge volumes of dollars to support, to store product that we can never sell.

The **CHAIRMAN**. But in the world market, when other governments intervene, what do you do with that market? Do you meet the price no matter how low?

Mr. **GRIFFEN**. I believe that we can compete with those foreign markets withstanding the fact that the Federal Government would impose some regulations and influence the amount of import and at what price that import can be brought into the country.

If it is foreign subsidized, then we should have the protection against that foreign subsidy.

The **CHAIRMAN**. So, the position of the farm bureau is that you want to form a partnership with your Government in order to meet impacts of other countries onto product prices.

Mr. **GRIFFEN**. We believe that we—under our free market system, we believe that we can compete with any country.

The **CHAIRMAN**. You only get a free market as you and I understand it at someplace called fantasy island. [Laughter.]

So not being able to go there—I am getting tired of people saying "market-oriented, market-oriented, market-oriented."

What do you mean by market oriented?

Do we meet their price at any cost? Or do we ask the Government to be a partner and help us equalize?

Mr. **GRIFFEN**. I guess that we have to ask that the Government be a part of this program, yes.

The **CHAIRMAN**. I am very happy that the farm bureau would take this position, and we commend you for it, because we have to work together.

But I assume you don't mean by market oriented that you are aiming for the market no matter what the price is?

Mr. **GRIFFEN**. Yes, I guess I would have to agree with that statement.

The **CHAIRMAN**. And supply and demand is something that is unachievable?

Mr. **GRIFFEN**. Supply and demand is not unachievable. You are saying that supply and demand is unachievable.

The **CHAIRMAN**. Unless Government intervenes, supply and demand is an unachievable factor, because supply and demand is 3,000 miles from New York City to San Francisco. The same applies from North Dakota to my area in Texas. Supply and demand occurred when a community brought all their resources to the town square and exchanged and bartered, and it didn't go beyond the jurisdiction of that community.

And it was not really supply and demand, but whatever was there was sold. Can you have an effective supply-and-demand situation for any item in the vastness of the United States, with transportation costs, weather, and spoilage? What are you talking about by supply and demand?

Mr. **GRIFFEN**. I guess that we believe that the market can better dictate the price of the product than can Government. The Government has a pretty good track record for failure on this area.

Tobacco, excuse me, tobacco has had set prices, has had quotas, has had the whole gamut of things by Government influence, and look at the trouble they're in. They can't sell their product. They have to have a special tobacco program.

They don't even tie it in with the farm program any more, because they can't deal with that under the same farm program that everything else is.

The CHAIRMAN. Well, tobacco is a specialty item. We have to write legislation to impact on this, so do you mean that we should have a national supply and demand from New York to California and North Dakota to Texas?

Mr. GRIFFEN. If you're talking about the Government being a part of setting the prices——

The CHAIRMAN. No, leave the Government out. Supply and demand is the free market that you talk about. We passed the Reagan administration bill and phased the Government out, and returned supply and demand to the farmers.

Will that work? Will there be scarcity or oversupply? I assume that you think there will not ever be any oversupply if the Government is out of the picture. Do you think that's correct?

Mr. GRIFFEN. I think we would be probably in a better situation than we are now, and at least there wouldn't be billions spent on storing a product that we had oversupplied. There wouldn't be oversupply for very long, because as soon as farmers don't make money at it they're not going to do it.

The Government has supplied a market. They have made a market price that many farmers have been able to make money at, as evidenced by the huge surpluses of dairy products, as an instance.

The CHAIRMAN. What happens if there is undersupply when the Government is entirely out of the picture?

Mr. GRIFFEN. Consumers would pay more for the product.

When they started paying more for the product, that would spur more people to producing and that would balance it, there would be more production. Yes; I think that——

The CHAIRMAN. And you'd have surplus again.

Mr. GRIFFEN. No; because as soon as they stopped paying that much for the product it would go down again.

The CHAIRMAN. Thank you very much. We appreciate your being here.

May we call the next witnesses, Vyron Chapman and Thomas Ayers. I ask our colleagues from the assembly to bear with us. We want you to experience some of what we are experiencing. [Laughter.]

Mr. WORTLEY. Mr. Chairman, I wonder if I could make an observation.

The CHAIRMAN. Yes, sir.

Mr. WORTLEY. I think Secretary of Agriculture Block made a good point the other day when he said we can no longer continue to tolerate the European Community dumping their agricultural products in the world marketplace and driving out American products that should be sold on our shores.

And he said that from this point on we will be looking toward dumping our Commodity Credit Corporation surpluses in those world marketplaces where the European Community was competing unfairly with us. After all, the export market for American agricultural products was a very key facet of the agricultural economy in 1980–1981.

But we've lost a lot of those world markets because of European dumping, and I think it's about time we fought fire with fire, and if they're going to dump their products in the world market, then we ought to be dumping our surpluses in the world market and bring them to their senses.

The CHAIRMAN. I appreciate that very much, but a word of caution. The European Community is not our sole competitor in many of our areas. There are other areas in South America, and we started losing markets before those petrodollars started going up, and it's a very complicated broad issue.

We can't just throw the whole bomb on the European Community nor can we dump and they dump, and we lose and they lose, and a third party gets all the gain.

It's more complicated than that.

Mr. Chapman, we would be happy to hear from you, sir.

STATEMENT OF VYRON M. CHAPMAN, CHAPMAN FARMS, REPRESENTING EMPIRE STATE POTATO CLUB, INC.

Mr. CHAPMAN. I'm here today representing the Empire State Potato Club. This includes Long Island. I'm here today to discuss the devastating impact that the heavily subsidized Canadian imports have on Northeast agriculture.

I'm particularly honored, as are others in this room here today, to have the distinguished guest, the chairman of the House Agriculture Committee, here before us today.

Mr. de la Garza, the agricultural sector is well aware of your concern for agriculture, and we are also well aware that you have less than complete cooperation from some of our Northeast Representatives on agricultural issues.

That, Mr. Chairman, I hope will be changed. We have been bombarded with heavily subsidized Canadian vegetables since 1978, and our farm assets has eroded on the average of 12 percent a year since that date. We have tried for the past 4 years in a democratic method by making our problem known to the only people who have the power and influence to reverse this unfair trend.

We've made many trips to Washington, and our story was told in detail to the dignitaries, such as Secretary of Agriculture John Block, Assistant Secretary of Agriculture McMillan and Under Secretary of Agriculture Amstutz. We had working sessions with many of our trade representatives, office calls and meetings with our Senators and Congressmen in Washington.

Through the efforts of the National Potato Council, we have met with Canadian horticulturists, the Canadian Horticultural Council. I, personally, have testified before three ITC investigations. I have testified before Senator D'Amato's Senate Subcommittee on Small Business.

We have been to the American Embassy in Toronto to explain our problem. We have had several meetings with the American Farm Bureau, and I am presently serving on the Secretary of Agriculture, John Block's, Potato Advisory Group.

Each time we have walked away from these meetings feeling that we had made our point, and a solution could be reached, because we felt it was within these dignitaries' powers to make it happen.

During the timeframe of 3½ years, we hired a consultant at a cost of many thousands of dollars to guide us, and with the help of our trade representatives we drafted a bill that would give us speedy and precise relief of imported vegetables if proof could be shown that the vegetables could be harmful to the domestic industry and GATT was being violated.

The bill is now H.R. 110. To date we have been denied the push needed to get this bill enacted, even though the country that is destroying the vegetable industry in the Northeast has in place such a bill for their use, and they have not been afraid to use it.

Many industries such as wine, tomatoes, automobiles, steel, textiles, yes, and even the potato industry, has spent millions in submitting countervailing duty and antidumping petitions, only to have the Department of Commerce and the ITC turn them down flat.

This is to say that the only alternative that the domestic industry has against foreign imports is outdated, it's nonfunctional, it doesn't work. As farmers, we have the right to the markets in our area. We have earned them, and it's our earned money that pays school, county, State, and Federal taxes, not Canada.

Agriculture and its supporting industries employ one-fifth of the work force, or 22 million people in this country. I believe it should be in the best interests of this country to keep its people working, not Canada's.

Ceiling prices, grain embargos, high interest rates, devaluation of land, loss of exports, the deterioration of farm prices, foreclosures, farm-related business failures, rural bank closings, all this certainly is an indication that we have a problem over Federal policies and trade issues that by law only they can change.

Man's first and indispensable requirement is food. Food fuels the human machine. No other alternative fuels are available. Man can survive without clothing, shelter, even without TV and the automobile. But without food man will die.

No social engineering, economic projections, or computer models can alter that consequence. From the first time man appeared, his overriding concern has been to feed himself. Once that chore was attended to, he was free for other pursuits.

Only after man provided enough food for himself and some left over for his neighbors were the neighbors free to make clothes, houses and whatnot. Let there be no mistake: it is now and has always been the farmer who underwrites the Nation's economy and its social well-being.

I believe, Mr. Chairman, we have subsidized the consumers with cheap food long enough, regardless of how insensitive this administration is to agriculture. Thank you.

The CHAIRMAN. Thank you very much, sir. Mr. Ayers.

STATEMENT OF THOMAS E. AYERS, PRESIDENT, EMPIRE STATE POTATO CLUB, INC.

Mr. AYERS. My name is Tom Ayers. We have a family farm in Wioma County and grow about 100 acres of potatoes. I'm also president of the Empire State Potato Club, a State organization representing about 200 dues-paying growers and other interested people.

I would like to make the point that the Empire State Potato Club supports Mr. Chapman and the National Coalition on Fair Trade. He has done a tremendous job in representing us.

The New York potato grower is being adversely affected by current import-export policies. We do not understand why we need the imports from Canada. The New York potato grower is able to produce, or can produce, sufficient supply, and our prices have not increased over the last few years to justify the needed imports.

We do not feel it is unreasonable to ask for protection from highly subsidized foreign agricultural products, and I'm including in this either subsidized things such as direct Government payments, and I might add here that potatoes are not directly subsidized in this country.

I also want to include foreign countries being able to use chemicals that we cannot use in this country, and either way you want to look at it, either Canada's policy of maintaining a cheap dollar in relation to ours, or our policy of having a high-priced dollar in relation to theirs.

I'm throwing all those in being Government subsidies to help their agriculture. That's, I think, been well documented, the other factors affecting the import situation. As you mentioned earlier, the golden nematodes. We strongly look for your support and continued funding of nematode programs, potato-breeding programs. Both Cornell and the USDA have produced several new nematode-resistant varieties.

These new varieties in the potato-breeding program, it had additional benefits of increased yields and better eating and processing qualities, which will more than pay for any cost to the consumers or the taxpayers. The benefits to the consumers will more than pay for any cost to the taxpayers.

I'd like to take this opportunity to remind the committee that the farmers need a continued supply of chemical pesticides for economic production. We hear a lot in the news about adverse effects of pesticides and the new—you know, just general chemical policy, and that we do need the chemicals for economic production.

I want to thank you and your committee for coming to New York.

[The prepared statement of Mr. Ayers appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. We appreciate both of you being here, and we appreciate the work that you do throughout the year.

Mr. AYERS. Thank you.

The CHAIRMAN. Senator.

Senator D'AMATO. Mr. Chairman, I want you to know that I share to a great extent the frustration that Mr. Chapman and Mr. Ayers do, not only as potato farmers but the horticultural industry in general has undergone. I think it'd be worthy of note to put into the record that in New York we have experienced a 200-percent increase in Canadian horticultural products.

I'm talking about potatoes in particular over the last 7 years. We have seen a situation where the price that Canadian farmers are selling at is at $1 per hundredweight loss to them, yet they continue to expand their market.

I brought this to the attention of the Canadian agricultural people this past week. I was in Ottawa Friday, I spoke to them in relationship to this problem as well. I want you to know that I share your frustration. We will continue to get to the bottom of this.

They do not give us good and accurate figures as to what they're doing and how they're doing what they—they're embarked upon a program that is being heavily subsidized and encouraged to export.

And we are feeling much of that brunt. I want to tell you today—Senator Coombe and I in the Senate, are attempting additional legislative initiative. We've introduced a bill again this year. We'll keep in touch with you.

It's a very perplexing problem. It's not one that's unique just in New York or to the Northeast, and I think this problem has become more pronounced. Hopefully we'll be able to build a broader basis and synthesis in the Congress to deal with this.

The CHAIRMAN. Thank you. I assure you, all of us who traveled to Canada last November met with not only the government agriculture leaders, but also producers and associations. We're still addressing the problems, and hopefully we will arrive at some needed help for all of our producers.

Thank you very much.

Senator D'AMATO. Thank you for the opportunity.

The CHAIRMAN. Now I think we'll switch back to our colleagues from the assembly, the ranking minority member, of the agriculture committee, Richard Coombe, and John O'Neil, our colleague from the assembly.

We'll be happy to hear from you, Mr. Coombe.

STATEMENT OF RICHARD I. COOMBE, MEMBER, NEW YORK STATE ASSEMBLY

Mr. COOMBE. Thank you very much, Mr. Chairman. I'm going to summarize my remarks also.

I'm Richard Coombe. I'm an active beef and crop farmer from Sullivan County, NY. I'm also the ranking Republican member of the assembly agriculture committee. On behalf of my Republican colleagues and indeed my colleagues of both Houses, we welcome you for answering our call for having a field hearing of your committee here in New York State.

The views which I express today are shared by many of my colleagues in the assembly, and we are justifiably concerned with the agricultural situation in our country and indeed our State. Debt service is second only to feed costs on our farms.

This is a staggering fact that must be addressed if farming is to remain a viable industry in this country. The cause of this situation is obvious. Our low farm prices, high cost of production, the strength of the dollar and our large Federal deficit.

Despite the profound implications of this issue upon New York State and the regional economy of Northeast, there is nothing that we in State government can do beyond branding the seriousness of this situation for Washington decisionmakers like yourself.

The farm bill must be constructed to allow fair and equitable treatment among commodities, yet be fiscally prudent enough to allow agricultural producers to shoulder their fair share of the overwhelming deficit. Spending more money is not the answer to solving the current farm problem.

We spent in excess of $14 billion last year on farm programs, and our farm situation is the worst that it's been since the 1930's. In fact, we are facing the most severe wringing-out in agriculture since the 1930's, and indeed there is a clear and present danger that our way of life is at risk.

Research in the field of agriculture will be critical, especially in the years to come. I strongly believe that the 1985 farm bill should support research efforts, especially in the area of marketing and increasingly to lower the costs of production so that we can better compete in the world market.

Our farmers in the 1980's are faced with a more difficult cost-price squeeze each year, and new technology is one of the ways to relieve this burden by offering us lower costs and increasing our marketing opportunities.

New York and the rest of the Northeast are a unique part of this country's agricultural industry. We are located in close proximity to one of the largest, most affluent markets in the country. Although there is a national surplus of milk, we in New York have a shortage of fluid milk.

The administrator for the New York-New Jersey Federal Milk Marketing Order No. 2 issued a call order this past winter that requires handlers to sell more milk to the fluid market. This is only the second time since 1947 that this action has been necessary.

A blanket policy for the dairy industry's surplus has an adverse effect on New York dairy farmers. I urge you to recommend to the Secretary of Agriculture an increase in the transportation differential. The 1985 farm bill is critical legislation for the entire industry, especially the Northeast.

We are all familiar with the faults of past legislation. For example, in the latter 1970's a lucrative farm program caused excessive overexpansion, hence surpluses in the low farm prices. I sincerely hope that this bill will be drafted so as to react to changes in the marketplace in a manner that will keep the industry healthy and stable for many years.

Once again, thank you very much for holding this field hearing in New York State. Thank you, Senator D'Amato and Congressman Wortley.

[The prepared statement of Mr. Coombe appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. Mr. O'Neil.

STATEMENT OF JOHN G.A. O'NEIL, MEMBER, NEW YORK STATE ASSEMBLY

Mr. O'NEIL. Good morning, Senator and Congressmen, and thank you very much for your response to come to New York, and we sent the letter last July 17. On behalf of Clarence Rafferty, our minority Republican leader in the assembly here in New York State, our colleagues Richard Coombe and others on the Ag committee, we're deeply gratified that you are here today to hear from those in the agricultural industry and also, of course, from us, who hopefully represent the industry as best we can.

I represent the 112th District in the New York State assembly, and I also serve on the agriculture committee. My good friend and colleague Richard Coombe has aptly described the prevailing attitude of assembly Republicans on the general issue surrounding the 1985 farm bill.

I want to focus on New York State's largest and its most important industry, and that is of course the dairy industry. My district, St. Lawrence County, is the leading milk-producing county in New York State. It's surrounded by the next two leading producers, Lewis and Jefferson Counties.

Nationwide, New York State ranks first in the production of creamed cottage cheese and cream cheese, second in Italian cheeses and low-fat cottage cheese, and it also ranks third in total milk production and total cheese production in this vast country.

Thus we are among the Nation's leaders in the field of dairy production. New York's dairy industry, like that of many other States, is in a tremendous period of turmoil. With the national dairy issue and price support system at the forefront of public discussion in the recent years, our dairy producers have found themselves in an almost nearly impossible situation of trying to plan the future.

This is their single most difficult problem. Our dairy industry has been racked with major policy changes at the Federal level over the past several years, causing confusion and uncertainty among those dairy producers. The enactment of the $1 per hundredweight assessment was an ill-conceived and counterproductive program that resulted in increased milk production as farmers tried to cope with a reduced cash flow by implementing more production.

The voluntary paid diversion program lowered milk production, but it did not meet with overwhelming approval from our farmers, as witnessed by the low signup, although that signup was greater in the Northeast and in New York State than it was in some of the States, such as Wisconsin and California.

Nor did this result in large-scale declines in milk production. Few dairy farmers believed that the diversion program was a satisfactory long-term answer to that national problem of overproduction.

In reviewing the options for the development of future Federal dairy policy, there are a number of widely different courses to choose from. The options range from very simple modifications to the existing price support program to Government-run control programs to the other extreme of abolishing all Government control and involvement.

I do believe the basic price support program has worked well over the past 36 years, and that our current problems stem from changes made to the program in the late 1970's that left this program inflexible and unable to respond to the changes of the marketplace.

As a long-term policy, I believe we must restore flexibility to the program so that the program will be enabled to more correctly reflect the supply and the demand that is actually there in the marketplace.

In closing, regardless of whatever policy changes ultimately are chosen, our Federal representatives need to give careful consideration to the short-term adjustment period. There is a need to ask who will survive and who will not.

Each proposal will impact individual farmers and individual regions differently, and speaking as one involved in the formulation of policy, that short-term impact should be one of your foremost concerns.

I do wish to exhort you to give special consideration as you develop either the short-term or the long-term directions in the farm bill to the fact that there is unique land that is used for dairy in New York State that does not have the flexibility or the adaptability that land has in the Midwest and California for using other crops.

Therefore dairy is most important to continue in this Northeast, and we hope that our farmers don't have to purchase those new tractors that come without seats and without steering wheels as a result of a Federal farm bill that does not take into account the regional differences.

Those tractors are designed for those who have nowhere to turn.

I want to thank you, Mr. de la Garza, for the opportunity to testify on this important issue. We appreciate your coming to New York and spending the time listening to us today.

The CHAIRMAN. Thank you very much.

Let me ask you a couple of questions and then I'll make a statement for the benefit of those who are reporting this event. One, what did you call the diversion or set-aside payment, ill-conceived or——

Mr. O'NEIL. Yes, Congressman. I believe that it was ill-conceived in this sense, that where we were trying to adapt a policy that would address the problem of either overproduction or underconsumption of milk in the United——

The CHAIRMAN. There was a short-term emergency, but it did reduce production by over 40 percent. You say that it produced more milk. Perhaps, a farmer here, a farmer there, but it reduced production over 40 percent, and it reduced the costs.

Mr. O'NEIL. If it did do that nationally, then I don't——

The CHAIRMAN. I don't know where you obtained your figures, but nationally it reduced production over 40 percent, and the costs by almost 50 percent.

Mr. O'NEIL. The cost figure we do realize lowered during that period of time, but we found that many, many farmers here in New York State and the Northeast milk area where there was the possibility of selling milk—in other words, the supply and demand——

The CHAIRMAN. We have an unbalance, yes.

Mr. O'NEIL. We had others adding cattle to their herds in order to make a cash-flow.

The CHAIRMAN. That ill-conceived program reduced production about 40 percent. People aren't shouting about the costs of the dairy program now, and they were then. The whole program was about to fall by the wayside. Had we not taken action, as ill-conceived as you think it was, we would not have had a dairy program now or prospects for one in the future, because the program would have been killed.

Mr. O'NEIL. Surely. Yes, at the Federal level if there were regional directions, Congressman, I felt it would have been a better-conceived program to deal with the oversupply in the areas that could adapt. Here again we get to——

The CHAIRMAN. You want regional programs for dairy? A different program for every region?

Mr. O'NEIL. I thought, Congressman, that in the Northeast there ought to be some concern given to the demand that is met by the dairy farmers here in the Northeast without imposing upon them a policy that essentially was aimed at taking care of an oversupply in other areas of the country.

The CHAIRMAN. Do you want a national program or do you want a New York State program, a Texas program, a Wisconsin program?

Mr. O'NEIL. I do think we can have a national program that takes into account regional supply and demand, the marketplace demand.

Mr. COOMBE. That was basically what I wanted to state in the regional differentiation based on supply and demand, and of course that's the reason why I called for an increase in the transportation differential, because that would help in this particular case, yes.

And then one other comment I could make very succinct, and that is that we recognize you were trying to solve a problem that was made longterm in nature a few years ago by the increase in the price support program that led to overproduction.

I'm a farmer. I really am. We work hard on our beef and crop farm. We don't put in tiled drains and have a 30-year payback. We don't put up a trench silo that might have a 20-year payback on the basis of reactions for every couple of years.

And the one thing I implore upon you is that develop a long-term program which would keep in mind the fact that we must make long-term decisions, because you do have a way of life at risk that's so important.

We helped put that *Challenger* and *Discoverer* up, because we only cost the people in the United States about 2 percent of the population to produce food and fiber, and because of the fact that we only cost them 16 percent of their income, disposable personal income, for food.

It's very important, and you know that too, but we're at risk now.

The CHAIRMAN. It's now down to about 13 percent.

Thank you very much.

The question that I wanted to raise was how did we get into the situation in dairy that we found ourselves in a year or two ago? We were running out of milk.

That so-called free market supply and demand wasn't working, and we were running out of milk. We went begging to New Zealand, Australia, Canada, and other countries to send us milk.

In the Congress and State legislatures, we are so responsive to the needs and the will of the people that sometimes we have a tendency to overcompensate. Our constituents ask for something and the legislative bodies give "two" when "one" would suffice.

That's what we did in the dairy industry. People sat around, I was one of them so I'll have to take my share of the blame, and asked: How do we make or entice the farmers to produce more milk so we don't have to beg for help from our neighbors across the seas?

The answer was to raise the price support. And we did. Legislation went through the committee unanimously, through the House without a question asked, and then through the Senate without a question. And, it worked.

And, then we overcompensated, and we got too much. Because of a need at the time we said if you raise the price support they'll produce more.

Farmers were challenged to produce more; they did; and they produced more than we needed. Basically we don't export milk and we don't import.

There is a very strict quota on cheese, and so dairy imports, except for casein, is not an issue.

There are many in this country who want to impose more quotas, but the real problem is that we overcompensated. Another factor affecting the situation was that we had done extensive research and development in the dairy area to develop cattle that could produce more. This started at a period of time when all of the colleges and universities—the Cornells, the Purdues, and the Texas A&M's—had been doing such an outstanding job in their research program that the culmination was a cow would almost give more milk for the same amount of food.

Even the cows on their own were giving more milk.

And so it was a culmination of events that brought us to the point of what do we do now? And that was when we set the incentive program to try and produce more at a lower cost, and it was very effective.

Mr. COOMBE. May I interrupt you for a second? I do get all of your news releases and so forth, and I'm very excited about your concern about research in marketing, and we can't turn our back on biotechnology, et cetera, et cetera. We have to move on to get the costs of production down.

The key thing is phased out of your program, because $14 billion last year didn't help us. It hurt us. We still opt out of the Government price floor there, and we need you to help us over these tough times, because we as farmers can't react just like that.

We've gotten into this predicament, we need help getting out, because we're an important backbone of this Nation.

Thank you.

The CHAIRMAN. Have either of you two distinguished gentlemen acquainted yourself with H.R. 2100?

Mr. O'NEIL. Yes.

Mr. COOMBE. A little.

Mr. O'NEIL. We were in Washington with Senator D'Amato, who has of course also expressed a great deal of interest in the total problem, and we keep very close tabs on. We commend you for your fine work, and we do wish that you would keep in mind that even with research, our cattle in New York State are still averaging only 16,000 to 17,000 pounds a year.

That's not as critical as the number of farmers in other areas of the country who switched from crop farming to dairy farming. Our dairy farmers here cannot go in the reverse direction, and we just wish that you would also keep that in strong consideration.

The CHAIRMAN. Thank you very much for being here. We appreciate your participation in our hearing.

Mr. MONSON. Can I ask a question here?

The CHAIRMAN. Well, sir, it's not proper, but we'll break all protocol and allow you one question.

Mr. MONSON. Well, I think you're going to like it.

The CHAIRMAN. OK.

Mr. MONSON. Did you say that this Diversion Program had lowered production 50 or 40 percent?

The CHAIRMAN. Over 40 percent nationwide, yes, sir.

Mr. MONSON. No, sir. I disagree. Because right now, now wait a minute, the Diversion Program, right now, I sent my milk to Pierpont Manor to Queens Farm, and they are taking in more milk right now than they ever have. So, as Yogi Berra says, "It ain't over till it's over." And I was discriminated against, because I had the Party Count Dairy for 30 years. And I haven't done anything to produce a surplus.

The CHAIRMAN. Thank you, very much.

Mr. MONSON. You'll hear from me, later.

The CHAIRMAN. Yes, sir. And we'll make a note that you disagree.

At the end, if we have time, we'll permit testimony from those who were not scheduled to appear and explore the area where you were discriminated against, Mr. Monson.

The next witnesses will be Barbara Schell, Clyde Rutherford, and Arie Scholten.

Mrs. Schell, we're happy to hear from you.

STATEMENT OF BARBARA B. SCHELL, DAIRY FARMER, EVANS MILLS, NY

Mrs. SCHELL. My name is Barbara Schell. I'm a dairy farmer from northern New York.

Gentlemen of our panel, I have come to reason and I have come today. Our country is blessed with a very productive agricultural industry. It is time that we appreciate this blessing and properly manage it for the benefit of the producer and the consumer, alike.

This is a reasonable and obtainable goal. However, it will require us to throw politics aside, let reason alone prevail, and draw upon the leadership that we have within us, in order to accomplish the former and the latter. I believe that we need a supply management system, similar to the quota system of Canada, to solve the overproduction problems in our dairy industry.

A quota system takes into consideration the needs of both the producer and the consumer. Our present administration has not yet come to this conclusion. However, these past 15 months, we have had a Dairy Diversion Program. It was a very good program to reduce production. It accomplished its goal. As a diversion farmer, my husband and I think that it worked out very well. We are proud that our Government agency, ASCS, managed it with efficiency, propriety, and helpfulness.

The Government can do a good job. However, we need a long term plan. Our present administration wants to keep lowering the support price until the surplus is no longer with us, because of the demise of the American farmer. We know that this is just putting a noose around every farmer's neck, and tightening it periodically. We must keep producing as much as we can, just to have the privilege of swinging.

The alternative is to drop into a deep financial abyss, filled with moral degradation and bankruptcy. Our own Government is using our efficiency to choke us. This is certainly a barbaric way of dealing with people, especially a segment of our society which is so widely known to be efficient and hard working. It pits farmer against farmer.

This administration's plan does not guarantee that the fittest will survive. A farm family may survive that is willing to let their teeth fall out, rather than spend the money to fix them. Or another that is willing to let their health insurance, disability insurance, life insurance and fire insurance lapse, in trying to survive.

Some may survive, but their children don't have the energies to study, so they drop out of school.

Gentlemen, this course of lowering the support price is an unreasonable approach to the problem. We will feel its negative consequences long after we finally decide on being reasonable.

Let me tell you more about the reasonable approach Canada has taken in managing its milk supply. Each dairy farmer has a quota, which is a percentage of the total market. This quota can be bought and sold, on an exchange similar to the stock exchange, with the price determined by supply and demand.

As I have said, quota is a market share, not a definite number of gallons of milk. Therefore, it is responsive to market pressures. If the market expands, each farmer can produce more milk, and if the market decreases, each farmer must produce less milk. It is an equitable system. If a farmer is efficient, he will be able to make a profit at the set price. If he wants to expand, he'll be able to afford to by quota.

However, if the farmer is not efficient, he would not be able to make a profit, and he will have to discontinue his business. He would sell his quota to an efficient farmer, who wanted to expand, or to a novice, who wanted to go into the dairy business. The fittest would survive in this orderly system. There would be no incentive to produce more milk than there is a market for.

The quota system is a set of guidelines, under which a free enterprise system can operate. There are tremendous advances in dairy technology on the horizon, which will be more important than ever, that we have a supply management system in place. If we have an orderly milk marketing system, these advances can help everyone by lowering the cost of milk production.

However, without a supply management system, they could devastate the industry, as everyone produces at a loss, just trying to stay in business while the shakeout occurs. The dairy industry is on the brink of disaster now. Instituting a supply management system will require time. This is time we really don't have, unless we reinstitute the diversion program to hold production down, without further lowering the price. Then we will have time to plan and develop our own quota system.

For each of you, I have a packet with the history my husband and I have written, concerning our agricultural situation, and some magazine articles which may answer some questions you may have on the quota system.

I have reasoned with you, and now, I beg. As a member of a 2 percent minority, it is only through your charity, your willingness to set politics aside, and let your reason prevail, that this suffering in my identity group, the farming community, will stop. I beg you, please be reasonable; look for facts, and show leadership.

Thank you.

[The prepared statement of Mrs. Schell appears at the conclusion of the hearing.]

The **CHAIRMAN**. Thank you very much.

Mr. Rutherford.

STATEMENT OF CLYDE E. RUTHERFORD, PRESIDENT, DAIRYLEA COOPERATIVE, INC., CHAIRMAN, NORTHEAST FARM BILL COMMITTEE, AND MEMBER, EXECUTIVE COMMITTEE, NATIONAL MILK PRODUCERS FEDERATION

Mr. **RUTHERFORD**. Mr. Chairman, members of this committee, we very much appreciate your coming to the Northeast to hear our viewpoints on the 1985 farm bill.

One of the best kept secrets of our time is the fact that agriculture is the largest single industry in the Northeast. It is the largest industry in New York State, which is usually viewed primarily as an urban industrial-type State.

In the Northeast, we have been working together for a period of time, with many farm organizations. I hope that before you, you have a list of what we call the 1985 Farm Bill Committee, which represents organizations which, in retrospect, reflect perhaps 90 percent of dairy farmers in different ways from the total Northeast.

As an elected cooperative leader and a representative to both regional and State agriculture organizations, my concerns about the up-coming farm bill occupy a great deal of my time. As a dairy farmer producing 1.4 million pounds of milk annually, I also have a very direct and personal stake in the outcome.

AgFax, an economic service of the Farm Credit System, that has an ongoing evaluation of many good dairy farms in this area, the Northeast, recently issued a report which said that these farms are currently losing about 32 cents a hundred weight. You might reasonably ask, how do they stay in business. And the answer is, they are basically paying their bills and meeting other obligations, but are receiving little or nothing for their investment or family labor.

Let me stress that I am not talking about borderline operations. I am talking about farms that are progressive enough and well-managed to be rated as viable dairy enterprises.

Economists look at the overproduction of milk, as measured by commercial use, and they see two lines on a chart, one rising faster than the other. They search for factors causing overproduction, and then they propose measures to change these factors in a way that will bring production more nearly in line with consumption. It leads to a very logical and classical solution, which would get an A in any economics course in any college in this country.

Lower the farm milk price and the weakest and most inefficient farms will go out of business. As things now stand in the dairy industry, that modern version of the theory of natural selection is seriously defective. We have passed the stage where we can serious believe that only the fittest will survive. Many good and productive dairymen, particularly young dairymen, with not much equity, will fail. Price is an effective deterrent to production, but it is not really selective in how it achieves its goal.

I am not trying to make a case for not using price as one of the factors in the Dairy Program. Obviously, that is necessary, and is being used, as authorized in the Dairy and Tobacco Adjustment Act of 1983. I believe, however, that those who would simply keep racheting down the farm price of milk without looking ahead to its long-term effects, are not doing consumers a favor. The day that production and consumption are in balance, the price of dairy products will be substantially higher than at present. That is also an economic fact of life.

We farmers are prepared to do our share to cut the deficit, because farmers are among the most severely affected by it. Even while we strongly disagree with what some people may define as "market-oriented" or a "free market," we are moving steadily toward a more direct tie to a supply and demand balance.

Many of us believe that the real issue is the timeframe within which this transition must be accomplished. Most farm organizations are pushing for a formula that maintains the present support price, and the purchase program for our industry, but ties it to a supply-demand and cuts back on the support price, if the Government rate of surplus purchases goes beyond specified levels.

Most of the economic factors are in place to bring about a reduction in milk production, and a consequent reduction in the cost of support purchases. What we must avoid is any hasty legislation that attempts to force the phaseout of dairy farmers virtually overnight. Anyone who has looked at the figures, knows that farmers of all types have been diminishing in numbers since the turn of the century.

New York State used to have over 50,000 dairy farmers, and many of those sitting in this room remember it. Today we have 15,000, and of that number, probably a third to half will be gone by the end of this century. The agribusiness structure that grew up to support those 50,000 dairy farmers in New York State has kept pace with that farm scene.

For businesses that depend on production agriculture, including cooperatives, the 1985 farm bill looms very large as a barometer for the future. We must convince the American public that the money spent on agricultural programs is critically important. We can argue about how much has to be invested by the Government, but we must not permit programs that have contributed to building the strongest and most productive agriculture in the world, to be undermined, perhaps even destroyed.

Because we have had a long period of food surpluses, and because Government financial involvement has increased substantially in the last few years, the American public is being lured into a frame of mind that says, we've always had plenty; we always will. But that's not true. We have always had plenty because, for the lifetime of most of us, the American farmer, aided by his cooperatives, and Government, has been able to withstand the pressures of weather, roller coaster prices, uncertain markets, et cetera.

In 1970, the net income of U.S. farmers totaled about $10 billion. Net income peaked in the early 1970's to about $35 billion. Today, it is estimated to be less than the 1970 figure. It is a situation that has been with us for many years. Simply stated, the farmer has not been able to keep a reasonable part of his improved productivity, most of which has occurred in the past 25 to 30 years.

How many companies would invest billions of dollars in equipment and plants, and continue to produce, when the investment returned nothing?

I conclude these comments by suggesting that the future is not looking good for thousands of farmers. However, if we try to separate out the human factor, which I find difficult to do, the future can be very good for those in production agriculture and their cooperatives, who make the necessary adjustments to survive what everyone is calling a difficult transition. The term "difficult transition" is a favorite phrase these days for Government employees and economists. It is not too popular out on the farm. Getting from 30,000 feet in the air to the ground is a difficult transition, if your plane is disabled.

A farm bill that will work, at least for dairymen, is one that modernizes our support price structure but doesn't destroy it; that ties production to consumption, but doesn't try to reach that desired goal in 1 or 2 years. It will be a bill that avoids punitive actions in the name of balancing the budget, a bill that recognizes directly or indirectly, that agriculture is not just figures: it's people, families, local economies, jobs, commerce and taxes, and also, food; food grown by less than 2 percent of the population to feed not only themselves but 98 percent balance of the population.

Looking at that perspective, there is not a very large margin for error in writing the 1985 Farm Bill.

Thank you.

[The prepared statement of Mr. Rutherford appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Mr. Scholten, we would be happy to hear from you at this time, sir.

STATEMENT OF JACOB J. SCHOLTEN, DAIRY FARMER, BALDWINSVILLE, NY

Mr. SCHOLTEN. My name is Jake Scholten, I'm a dairy farmer, and farm a part of it with my sons.

I want to thank you, Mr. Chairman, and the members of the panel, for bringing democracy a little closer to home. I am a former democrat but, for the record, I don't see eye to eye with the recommendations of Mr. Griffin, president of New York State Farm

Bureau. One reason that the Government programs haven't worked in the past, is due to the fact that, in the past and present, we are brainwashed by experts at our colleges and universities to produce more per acre, cow and men, without giving consideration for supply and demand.

Today, they are forcing down our throat their wisdom, that we need a hormone-fueled super cow, but they don't know what we're going to do with the rivers of milk this cow is going to produce. But, therefore, they project, and recommend that 20 to 25 percent of the dairy farmers have to go out of business to make room for the super cow.

As such, it seems to me, they are just as bad as the Communists, because from within, they are destroying the freedom to be self-employed dairy farmers in the land of the free. That means a great deal to me, because I came in this country as an immigrant and had the opportunity to explore the American dream.

Therefore, Mr. Chairman, I urge you to include in the 1985 dairy bill, a dairy bill to condemn and withhold any Federal payments for such research now and hereafter, that doesn't take into account, supply and demand, and endangers economic security. In addition, I don't believe in any diversion programs, because it is unfair and unjust.

In concept, I support H.R. 1965, introduced by Congressman Emerson, provided that the trigger formula used in the bill is applied at regional levels, subject to the amounts each region sells to Commodity Credit Corporation. And because of ever increasing production, as I mentioned before, I urge you to include in the bill, standby quotas, regionally applied, subject to Commodity Credit purchases.

They tell me regionalism politically doesn't fly. But I ask you, if we have to believe in constitutional government, such government should include fairness and justice. For example, California dairy farmers have increased their production again over 6 percent in comparison over 1 year ago. Therefore, I ask you, is it fair that we in the Northeast have to pay for their overproduction?

I also urge that you do something about the overvalued dollar which has a monopoly over foreign currencies, and has affected, very much, exports and trade deficits. I'd also like to ask you to include some commonsense and some fairness for American industries and farmers in relation to the import and export policies and regulations.

In addition to these, Mr. Chairman, we hear a great deal this morning again about free enterprises, free markets, and also the word protectionism. I do believe in protectionism at home goal, before protectionism to foreign countries who are subsidized by the socialistic governments, and are farmers from the day they are born until the day they die.

After all, we the people at home, are the ones that have put you people in office.

I believe that this is all necessary if we're going to come up with a farm bill that provides the so-long awaited economic stability and better prices for the farmers and their families.

Thank you, Mr. Chairman.

The CHAIRMAN. Now we will come back to our colleagues from the New York State Senate, the chairman of the Agriculture Committee, Senator Riford, and the ranking minority member, Senator Hoffman.

Mr. RIFORD. Mr. Chairman, in the event the hearing gets dry, I thought the committee might welcome some New York State wine.

The CHAIRMAN. Thank you very much. Heron Hill [name of the wine]. My name, Garza, means heron or crane.

Mr. RIFORD. Isn't that a coincidence, sir.

The CHAIRMAN. And the coat of arms of our family has this heron or crane, so I'm very appreciative, and will share it with my colleagues, of course.

Thank you. We'll be happy to hear from you, sir.

STATEMENT OF LLOYD S. RIFORD, JR., CHAIRMAN, NEW YORK STATE SENATE COMMITTEE ON AGRICULTURE

Mr. RIFORD. Thank you, Mr. Chairman. My statement is there, and I'd appreciate your making it part of the record.

I'm grateful, and speaking on behalf of my colleagues, Senator Hoffman, and the Senate Agriculture Committee, we're grateful to you and Senator D'Amato, and Congressman Wortley for having this hearing here today.

I just would mention three major points. I think that all of the dairy farmers in the United States would be materially aided by attention being paid to this casein problem that has been alluded to. Last year, the Commodity Credit Corporation bought 8½ billion pounds of milk. Last year, we imported 192 million pounds of casein which translates to 6.3 billion pounds of milk. So that we imported three-quarters of our Commodity Credit Corporation purchases.

Casein is considered, as you very well know, by the customs people as a chemical. A number of people feel that if its designation were changed to a dairy product, and it came under the cheese quotas you alluded to, or the dairy quotas, it would go a long way toward dealing with the problem.

In addition to that, Congressman Wortley and a number of others have joined in the sponsorship of H.R. 431, which addresses the problem, and we understand that Congressman Charlie Rose is introducing or contemplating similar legislation. So we're very hopeful that this problem can be addressed.

I join with others who have urged action on the importation of Canadian vegetables, which are produced and sold with a subsidy from Canada which permit them to be sold at less than their market value, and which have created a major problem for our vegetable farmers in New York State.

And, in addition, Mr. Chairman, I'd like to ask for continued support, at the congressional level, of the work of the Soil Conservation Service. Last year, this service spent $1.5 million in New York State, and of that $1.5 million, $1.2 million was spent for agricultural work. And it's a very necessary part of the agricultural scene in New York State, and I hope can be continually supported.

I appreciate the opportunity to participate in this hearing. Thank you, again, for coming to New York State.

[The prepared statement of Mr. Riford appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, very much, Senator.

We'll be happy to hear from you at this time, Senator Hoffman.

STATEMENT OF NANCY LORRAINE HOFFMAN, RANKING MINORITY MEMBER, NEW YORK STATE SENATE COMMITTEE ON AGRICULTURE

Ms. HOFFMAN. Gentlemen, we all appreciate your presence here today.

I would like to comment, briefly, on the issue of regionalism and protectionism that's come up. I'd like to share with you some of the concerns that have been addressed to me, as I've held some hearings not unlike these around the State, which deal with the future of the family farm in New York State.

In an effort to try to educate some of our more urban colleagues, we have convened these task force meetings in Syracuse and in Albany, and we've scheduled more in other parts of the State, and it is amazing the kind of input that we are getting from people who are engaged in agriculture, directly and indirectly, and the level of frustration that they are experiencing.

And they are all intoning one very important fact, that I think, as a Nation, we all have to address. The critical issue before is, are we going to intercede now and protect the family farm as we know it, make it possible for another generation of Americans to enjoy the opportunity to engage in a family-operated farm, or are we going to lose that opportunity for all purposes for the future.

It's that critical a question, and it has to be addressed as a national issue by your committee, by our President, and by the commissioner of agriculture, with the same degree of concern with which we face national defense issues, with which we address the civil rights questions of the sixties. The crisis of our future of agriculture cannot be put off any longer.

The short-term needs are here, but the long-term situations have to be developed now. Now, you've already heard from a number of people in agriculture, and from Farm Bureau representatives about how New York State has been hurt through the recent programs and the quota system, and the Diversion Program.

But what we have a great deal of difficulty comprehending in New York State is, how can we accept a national program that has so disproportionately harmed our No. 1 industry in New York State. When Senator Riford and I went to Washington a few months ago, to the National Conference of State Legislatures' Farm State Conference, there were a number of our colleagues there from other States, that were startled to see two New York State senators. There's a national perception that we are a manufacturing State. That New York City is the hub of this State, and the rest of us all live in some little suburbs or some extension of the city.

The reality is that agriculture is our No. 1 industry and dairy is the biggest part of that. Our farmers are feeding a large portion of this State, and yet, they are not able to feed enough. We imported

20 percent of our dairy products last year, at a time when a Federal policy told our farmers that they were over producing.

So, your comments, Mr. Chairman, that the program is working on a national level, simply don't mean much to New York State farmers. They need some assurance that whatever national program is enacted, will not be at their expense.

Now, New York State does not engage in treaties with Canada and other foreign nations. And yet, it is the casein problem which originates in large part in New Zealand is that correct, Senator Riford?

Mr. **Riford**. That's correct.

Ms. **Hoffman**. And the vegetable problem which originates in Canada, which has terribly decimated two of our industries. We had a series of correspondence from our agriculture commissioner with the Canadian consul in which he addressed the tremendous decline in some of our vegetable production, as a result of Canadian imports. The Canadian consul returned a reply, very carefully written, to show what the impact had been, nationally, and how, in fact, Canada imports more American products, as a whole, than do they export vegetables.

That means nothing to the Canastota vegetable grower who has now been forced completely out of the carrot business and is about to lose the potato and onion market, as well. We have to appeal for that type of protectionism.

Now, as ultimate justification, I have to tell you what the farmers asked us. If this Federal Government so prioritizes the tobacco industry of the South, a crop which has been demonstrated to be harmful, one of the most deadly problems that we face right now is cancer caused by ingestion of tobacco, if we can subsidize and regulate that industry, for the protection of the region, surely we must, as a nation, be able to do the same for our dairy farmers and our vegetable farmers in the northeast.

I'd like you to know the personal hardship and the economic hardship that hits small towns in New York State when farms go under. I've had farmers tell me what their farms are assessed at, and how much income they used to have. Farmers will tell me with great pride how they've raised six or seven children, put them through the public school system and been an important part of their community up here in the Central New York area.

Now, they are barely breaking even, and many of them have been faced with the choice of selling and getting out, because their children are not in any way interested in taking over the farm. But the more critical issue for the towns in which they reside is, who is going to provide the educational opportunity for the next generation of children, if that farmer cannot afford to pay the school tax because he's not earning a living, that robs the educational opportunity of everybody in that town.

Ultimately, they appeal to the State for assistance, and we will then, in turn, appeal to the Federal Government. It's a vicious cycle; we've seen it in industrial collapse; we're experiencing it now in agricultural collapse. We recognize what the process is, and it's going to take long-term, not band-aid, solutions.

One of the most tragic elements of testimony at our task force, so far, was when a gentleman stood up and as he began his testimony, he said—much as we have all done coming here before you—how pleased he was to be able to testify at a task force on the future of the family farm.

And then he choked up a little bit, and he said, I'm a family farmer—or, at least, I was. My wife finally said, I've had enough. If you want to engage in this type of living, you can just go ahead and do it by yourself.

We are seeing a decline in a way of life in this country and we can't afford to let it collapse.

The CHAIRMAN. Thank you, very much, senator. We appreciate both of you being here.

I would add one comment. I'm not here to discuss the pros and cons of the Tobacco Program, but it is a no cost to the Government program. Second, and very respectfully, we are a federation of States. My people ask me, why should we pay taxes to bail out New York.

In the city of Mission, TX, where we have no city buses, they ask why should I vote for mass transit. I say, because we are a federation of States; because we try and help those in need, sometimes to the detriment of others. Being an American and receiving the bounty of this great country we must put together balances now and then. Not that we don't have the responsibility to see that no one suffers; not that we don't have the responsibility to try and equalize, but, how do I explain mass transit, and how do I explain a bailout of New York. We are one people, and we have the responsibility to be as equitable as possible, but we're still a federation of States.

Ms. HOFFMAN. I think all of the New York State farmers would agree with you, but they feel that the balance has shifted just a little bit unfairly on them this year.

The CHAIRMAN. And we're going to try and help them.

Mr. RIFORD. I think we could relate to that, sir. We have New York City as part of New York State so that——

The CHAIRMAN. We're running a little behind schedule, so I'm going to ask the next panel to cooperate with us, to the extent possible, and shorten their presentations.

Mr. Runge, Mr. Patsos, and Mr. Cummings.

We'll begin with you, Mr. Runge. Do you pronounce it Runge?

Mr. RUNGE. Yes.

The CHAIRMAN. We have a town in my district by your name, Runge, in the upper part of my congressional district. We'll begin with you, sir.

STATEMENT OF JOHN W. RUNGE, DAIRY FARMER, SYRACUSE, NY

Mr. RUNGE. I've been a little confused since I got here with respect to the program. I've written testimony. And I was planning on coming and just summarizing what I've written. I'll give you copies of it when I'm through.

The CHAIRMAN. Thank you very much. It will appear in the record.

Mr. RUNGE. My father made the appointment and then told me to come, because I was better at making a fool of myself than he was. So, to summarize, I've included in my testimony a dairy plan that was developed by the 1985 Farm Bill Committee, and I just wanted to give some background to the committee.

Two years when the Diversion Program was developed, a group of us in Onondaga County felt that we'd been let down by the organizations that we belonged to. So, we held what we called the Dairy Leaders Forum, here in Syracuse and invited all of the organizational presidents or representatives that we could get to come, to get them together to develop a plan for the 1985 farm bill. And after that meeting, we also urged them to continue meeting. And they had developed a plan which is in my testimony that I hope you will give serious consideration.

The other things that I've mentioned in my testimony were the need for an agricultural policy that will work longer than 4 years. A 4-year farm bill makes no sense to me when I have to look into the future 20 to 30 years to get a payback for a good number of my decisions.

So, I think we should try to develop a farm bill that would look further into the future for these programs.

Another thing that I'm sure you may hear testimony with respect to Bovine growth hormone. And I'd like to say that I don't believe as dairy farmers we can afford to ban this hormone because you won't be able to stop the farmer in Canada, the farmer in New Zealand or the farmer in Europe from using it. And I feel that it's bad enough that these farmers are going to get Bovine growth hormone a couple of years before I will. And I'll have to compete against it for a period of time, while it's tested in this country.

If anything, I would urge you to speed up the testing process. I know in Vermont, your committee heard some testimony against the tax shelter farm.

I am against the change in the laws that would outlaw or abolish the tax shelter farm for three reasons.

First, these tax laws also work to help the farmer balance his income from good to bad years. Second would be that the equine industry in the Northeast depends on these nonfarm investors. The third is that the history of all dairy cattle breeds and especially my breed, the Holstein, shows positive influence of the cattle breeder who did not have to rely on the cow to make a living.

Basically, that's the end of my testimony. I think you for the opportunity to testify in front of your committee.

[The prepared statement of Mr. Runge appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Senator D'AMATO. I just thought you might like to know, we previously touched on the point to which you're referring which was in the area of a tax shelter with respect to farms. There is quite a divergence of opinion on that.

So you raised a very interesting point.

The CHAIRMAN. Next is Mr. Patsos.

STATEMENT OF JAMES PATSOS, PRESIDENT, NORTHEAST DAIRY COOPERATIVE FEDERATION, INC.

Mr. PATSOS. I'm James Patsos, and I am president of Northeast Dairy Cooperative Federation, better known as NEDCO, with offices in Syracuse. I am also a full-time dairy farmer with my son in Waterville, NY.

I make this statement on behalf of our membership located throughout the New York-New Jersey milkshed area. NEDCO presently operates three dairy plants under the New York-New Jersey Order—a fluid bottling plant located in Fultonville, NY, and two manufacturing plants—one located in Fraser, and the other in Middlebury Center, PA. NEDCO is a major handler and supplier of milk in this market, and therefore has a vital interest in pending dairy legislation as it affects our cooperative members and their plant operations.

It is imperative to dairy farmer long range planning, that Congress enact new dairy legislation in 1985 that will give our members and other dairymen greater assurance of price stability, and an improved supply/sales balance in the marketplace.

First and foremost, dairymen through the Northeast are united in support of continuing basic dairy price support legislation and continuance of the present system of Federal milk marketing orders. Both programs afford the price and marketing stability required and are of great benefit to consumers as well as producers. Without these basic farm programs, milk prices would be extremely erratic and supplies would be disrupted. No action should upset these basic systems that have worked well in the past, and have equal merit for the future, so long as we are dealing with a seasonal highly perishable product.

We do, however, urge the adoption of a proposal of the National Milk Producers Federation, of which we are a member, to modify the formula by which dairy price supports are computed each year. We agree with National Milk Producers that a reversion to systems of pricing under the 1949 Agricultural Stabilization Act next October would not be appropriate. It is time to act to establish a more realistic pricing formula employing economic factors including measures of specific costs of dairying and automatic adjustors to make sure that pricing is consistent with gains in productivity and changes in the supply/demand balance as is measured by level of Government purchases. An automatic formula would remove the uncertainty in milk pricing, and would give the necessary signals to producers well in advance. It would assure adjustments from time to time to prevent burdensome surplus in line with budgetary constraints.

We know that future price reductions, if too large or radically applied, will greatly hasten the trend to fewer dairy farmers in the Northeast. Great care needs to be taken with respect to any possible milk diversion or different pricing program, that it does not result in excessive loss of either producers or processing capabilities here in the Northeast that would in any way jeopardize future supplies. We need to assure that the Northeast continues to hold its share of the total national market.

We believe the National Milk Producers Federation proposed economic formula will establish realistic milk prices throughout the United States, and is in the best interests of our membership.

Others will have already entered evidence for this hearing as to the specific technical aspects of the National Milk Producer Federation's economic formula, so we do not need to repeat it here. However, we do want to take note of the fact the formula would result currently in a basic support price of $11.71 after all adjustments, and this appears to be consistent with balanced policy objectives, in our opinion. The NEDCO also feels that greater emphasis needs to be given to increased investment in dairy research, advertising, and general dairy promotion efforts through the National Milk Promotion and Research Board. The best solution to overproduction problems in the long run, is selling, and dairymen have not invested in this marketing tool nearly as much as our competition. Accordingly, NEDCO would support legislation which transfers a part of any future price support reduction to such an effort.

I would also like to remark about the proposal by Mrs. Schell concerning the quota program. I recently had a son starting dairying on his own, through raising several hundred Bonison cows. If he were to go into an operation under a quota system, it would have cost him another $70,000, in order to go into the system. And I believe that's basically impossible to start young farmers in a dairying system under a quota program.

Thank you for the opportunity to speak today.

The CHAIRMAN. Thank you very much, sir.

Mr. Cummings, we will be happy to hear from you.

STATEMENT OF DAN CUMMINGS, DAIRY FARMER, MARIETTA, NY

Mr. CUMMINGS. Thank you. My name is Dan Cummings. I'm a dairy farmer from southern Onondaga County. I'm here today to talk to you about our ever increasing farm problem. I do not support any policy of the co-ops or farm organizations. My ideas are simple, commonsense solutions to the problem, not political or special interest group solutions.

My proposition is of a threefold nature. First, when you consider the farm bill, you must take into consideration that any business, if it is to be viable, has to re-coup its operating costs plus a small profit. This practice is the same in agriculture. If we can't make the profit there's not going to be any food.

Second, to insure profitability, commodity controls will have to be enacted. We can not have the financial burdens of the so-called surplus foods that we now have. This can be done in many forms from the Federal level to the State level to the county or even down on the farm.

Third, to make a continual profitable agrarian society, imports will have to be severely reduced. We can no longer afford to have our markets flooded by foreign imports. This is especially true while we have a strong dollar.

If you put into effect these ideas in the writing of the 1985 farm bill, the precarious slide that the farm sector has been on will stop. Two strong examples of our depleted agriculture system is the Farmers Home Administration's increase of operating loans from around $800 million in 1981 to around $3 billion in 1985, with no guarantee of repayment. Farmers Home Administration is lending money out at a rate, because none of the other banks will take these farmers up. Also, the lending institutions, including P.C., Farmers Home, the banks, insurance companies are now holding around $22 billion worth of productive farmland. This is the land that has been lost by the farmers during the Reagan administration.

You members of the House Agriculture Committee have a very hard job ahead of you. The policy that you set will determine the future of agriculture for decades to come. The right policy that ensures a steady climb in strength of agriculture also insures a strong and healthy America. The wrong policy that places special interest groups such as farm bureau ahead of the basic rights of farmers and consumers will help continue our weakening of our ability to produce food. That type of policy in a decade or so will put us in the same road as present day Ethiopia.

These are your choices clear and simple.

Thank you very much.

The CHAIRMAN. Thank you very much. We appreciate your cooperation and your excellent suggestions. We're pleased to have you here. We will recess the committee until 2 p.m.

[Whereupon, at 12:20 p.m., the committee recessed, to reconvene at 2 p.m., the same day.]

AFTERNOON SESSION

The CHAIRMAN. Mr. McCann, we will hear from you at this time.

Mr. McCANN. All right. Thank you, Mr. Chairman for coming to Syracuse.

STATEMENT OF JOHN W. McCANN, MEMBER, NEW YORK STATE ASSEMBLY

Mr. McCANN. Ladies and gentlemen, good afternoon. I am New York State Assemblyman John McCann. A veterinarian by profession, I serve as a member of the assembly agriculture committee, the assembly subcommittee on agribusiness, and I am ranking Republican member on the assembly task force on farm, food, and nutrition.

I represent the 111th assembly district covering Madison and parts of Otsego and Oneida Counties. It is an area heavily dependent upon our agricultural industry, particularly dairy, cash crops and vegetables.

I fully concur with the testimony presented this morning by my good friends and colleagues, Assemblymen Coombe and O'Neil.

Although I am very concerned about the developments on dairy policy, my remarks today are of another nature. The problem I speak of today is not a new one, but one that has taken me to Washington, DC on numerous occasions, as you are aware, Mr. Chairman. It is one that impacts the very livelihood of vegetable growers from New York and across the northern tier of this country.

The combination of agressive Canadian agricultural policy and the United States-Canadian trade practices are placing unfair economic and competitive pressures on our fresh vegetable growers in the Northeast. We are concerned about the short-term and long-term ramifications of this problem to our farmers and our consumers.

The nature of the problem is that which the Tariff Act of 1930 and the GATT were meant to address. These mechanisms are now cumbersome and prohibitively expensive. When responding to problems involving perishable agricultural commodities, they are absolutely inefficient and ineffective because of the cost and the amount of time it takes to get relief. If corrective action occurs at all, it is not until well into the next growing season, by which time the damage has been done.

Briefly, let me illustrate the difficulty that New York State farmers face: Canadian fresh vegetable farmers have dramatically increased their presence in traditionally New York markets in recent years. For example, Canadian potato exports to the United States have increased over 683 percent between the 1975 crop year and the 1981 crop year, an increase of some 424 million pounds of potatoes imported into the United States over a 6-year period. Similar examples can be cited for other fresh vegetables such as carrots, onions, cabbage and cauliflower. In a news release from Dennis Trimbell, the Minister of Agriculture and Food in the Province of Ontario, dated October 25, 1984, he stated that "* * * our American exports from 1980 to last year increased some 37 percent, making the United States the fastest growing, as well as our largest market." He also stated that, "currently agriculture and food exports from Ontario generate $1.6 billion a year in sales. Nearly 60 percent of those exports are to the United States."

This flooding of the market is not the basic problem. Our farmers are willing to compete with Canadian farmers on a fair basis, but the competition has been anything but fair. Canadian vegetable growers have received extensive government subsidies that enable them to sell below costs of production in the United States.

A brief listing includes stabilization payments, storage, construction grants on a 3 to 1 basis, farm development programs, low interest loans, Government supported crop insurance, and transportation subsidies. In addition, there is a very favorable exchange rate working to their advantage. The Canadians have capitalized on the exchange situation and then multiplied that advantage through massive subsidy programs.

We cannot allow this type of advantage to continue, for it has already driven many growers out of business and many more will follow.

We need your support to enact "fast track" provisions in our trade laws to enable our producers to respond quickly when their livelihood is threatened. The Canadian Government has a "fast track" system of their own, which enables them to impose restraints in a matter of days, at no cost to the Canadian farmer. Our system is prohibitively expensive and takes many months to implement.

In closing, I would urge you to consider the United States as a leading exporter of agricultural commodities, and draft the farm bill to focus on our export market as well. High loan rates for export crops have priced us out of the world market. In 1980, experts projected that in 1985 agricultural exports would total $75 billion. We now are expected to export only $34.5 billion worth of agricultural exports in 1985.

We need to lower the loan rates on our export crops to regain our prominence in the agricultural export market and restore our balance of trade.

Thank you, Mr. de la Garza, for holding this hearing at the request of assembly Republicans and I thank you for the opportunity to testify. And I'd welcome any questions.

The CHAIRMAN. Thank you very much. Mr. Wortley, do you have any questions?

Mr. WORTLEY. No.

Mr. Chairman, I am sorry. I wasn't here when Assemblyman McCann arrived. Assemblyman McCann is a long-time and a very dear friend of mine and he certainly is one of the most knowledgable representatives in the New York State legislature, when it comes to agricultural problems. Jack's major concern today, one of his major concerns, of course, is how we're going to give an export opportunities. And the Chairman and myself give you a good, sincere pledge that we're going to try and get this Federal budget under control. And when we get the budget under control, that will reduce the interest rates and that will restore the value of the dollar to somewhat normal—instead of—it's overinflated by 30 percent, plus right now.

Mr. MCCANN. It is imperative that we bring down that deficit, no question.

Mr. WORTLEY. You work out of your New York State Assembly. We'll work out of Washington, right, Mr. Chairman?

The CHAIRMAN. Thank you, Judge.

Mr. WORTLEY. That correction—I would, in order to keep the needed bipartisan or nonpartisan—we came at the invitation of everybody, not to the assembly Republicans.

The CHAIRMAN. I know I wrote in late July. Thank you.

Also, I would like to say that on my first day in Congress, January 4, 1965, I introduced a balanced budget amendment, because in Texas we have a constitutional balanced budget amendment. I figured if it was good enough for Texas, it ought to be good enough for the United States. Few were interested and even fewer cared. And I couldn't get hearings on the proposal. Nobody paid any attention. I have introduced the amendment every year since, but this year for the first time I feel encouraged, because 20 freshmen have asked me to join with them in introducing a balanced budget amendment. Even the President got on the bandwagon and tells me that we should balance the budget. That is the first bill that I introduced in Congress 20 years ago and only now are people finally coming around to my way of thinking, and I appreciate it.

Mr. WORTLEY. Mr. Chairman, you're a man ahead of your time and you always have been.

The CHAIRMAN. Thank you very much, Assemblyman McCann. We appreciate your speaking at this hearing and value your concern.

Mr. MCCANN. Thank you, Mr. Chairman.

The CHAIRMAN. I have been informed that Mr. Earl Forwood, president of the Eastern Milk Producers Cooperative, has a travelers problem, and if the other witnesses concur with me, we'll hear from him at this time to accommodate his schedule.

Mr. Forwood.

STATEMENT OF EARL R. FORWOOD, PRESIDENT, EASTERN MILK PRODUCERS COOPERATIVE ASSOCIATION, INC.

Mr. FORWOOD. I thank you for giving me this time. Thank you, Mr. Chairman, for coming to Syracuse to listen to us.

My name is Earl Forwood. I operate a dairy farm in Hop Bottom, PA, and am the president of Eastern Milk Producers, also a member of the National Dairy Promotion and Research Board, and serve on the board of directors of the National Milk Producers Federation.

My statement today is made on behalf of Eastern Milk Producers and the cooperatives affiliated therewith. Eastern et al. is a regional cooperative with over 4,000 dairy farmer members residing in a nine-State area throughout the Northeast and Middle Atlantic States. The association markets its members' milk to handlers regulated by five Federal milk marketing orders. Its sales exceeds 2 billion pounds of milk a year, at a value of nearly $1 million a day. In addition, the association's dairy products division distributes a wide range of farm and dairy product items to producers in a 12-State area in this part of the Nation.

Eastern plays an active role in the development of agricultural policy positions, particularly as they relate to the dairy industry. The association is an active member of the National Milk Producers Federation, the oldest and largest farm commodity organization representing dairy cooperative marketing associations owned and operated by dairy farmers throughout the Nation.

In addition, Eastern is a member of the 1985 farm bill committee of the Northeast. This organization is composed of nearly all of the dairy farmer cooperatives in the Northeast, Agway, Inc., the northeast regional units of the National Farmers Organization, the Pennsylvania Farmers Union, the Pennsylvania State Grange, and the Vermont Farm Bureau. The New York State and Pennsylvania State Farm Bureaus also have participated in the committee's deliberations.

The object of this regionwide coalition of dairy farmer cooperatives and general farm organizations have been to forge a unified policy on the milk price support and related dairy provisions of the 1985 farm bill. In its broadest aspects, that objective has been met in spite of diverse underlying philosophical tenants of the member associations. Moreover, its position is in concert with nearly all of the elements of the program supported by the National Milk Producers Federation.

The Dairy Price Support Program. My comments today are directed primarily toward what Eastern and its affiliates believe is the most appropriate program for providing the necessary support of milk prices over the next 4 years which will restore a reasonable balance between milk supplies and commercial sales without destroying the dairy industry in this important dairy region or in the Nation as a whole. Time does not permit a detailed discussion; hence, I will confine my remarks to basic elements of our policy position. We will be happy to furnish additional, detailed information as this distinguished committee desires, at a later date.

One, we are convinced that the dairy price support divisions of the 1985 farm bill should provide for a purchase program as in the past, and not convert at some later date to a target price—deficiency payment program, as proposed by the administration. The purchase program has worked well and has provided the necessary stability in the market prices of milk and dairy products which has benefited the public at large with an adequate supply of wholesome dairy foods at reasonable prices. It has only been in the past few years that excess resources have been drawn into dairying, resulting in a burdensome and costly surplus. Correction of the overabundance problem is well along already. This is a view held uniformally by associations representing dairy farmers both here in the Northeast and the Nation as well. Moreover, we strenuously opposed any action designed to phase out the Dairy Price Support Program. Such irresponsible action clearly would be contrary to the public interest.

Two, we strongly support the use of a dairy specific pricing index, such as that proposed by the National Milk Producers Federation, as the standard for establishing appropriate milk price support levels. Further, we suggest that manufacturing milk prices during the 3-year period of 1976–78, which was a fairly balanced period for milk supply and demand, be used as the benchmark for calculating the index price. We believe that this procedure would be more responsive to changes in the factors associated with milk supply and demand than would a 3-year moving average pricing technique.

Finally, we recognize that no formula can adequately reflect all of the factors that impact on the supply and demand for milk and its products. Hence, we support the application of a supply-demand adjuster to the prices generated by the price index. It should move the index price up or down in relation to annual net purchases by the Commodity Credit Corporation under the program. The adjuster proposed by the federation has been thoroughly studied and we believe would work very satisfactorily. It is very similar, in concept, to the adjusters being proposed by the American Farm Bureau, and others.

Federal Milk Marketing Order Programs. The Federal milk marketing order program has been an integral and an indispensable factor in the Nation's milk price structure for nearly half a decade. It has assured consumers of an adequate supply of fresh fluid milk and dairy products at reasonable prices. It provides for equitable payments to producers for the milk that they market and assures an equitable raw product cost to milk handlers competing with others in a given marketing area. The continuation of this program is critical to the continued viability of the Nation's dairy industry. We strenuously oppose any amendments to the law authorizing such orders that would undermine their effectiveness.

Since 1970, the law has provided specific, but temporary, authority for seasonal base excess and "Louisville-type take-out pay-back pricing provisions". They are designed to provide an incentive to producers to level out their production patterns more in line with market demand. The mismatch of seasonal milk production and consumption patterns is a serious problem in the Northeast region as it is in some other regions. We urge that the authority for seasonal pricing plans be made a permanent part of the law authorizing milk marketing orders.

We also support an amendment to the law which would specifically authorize order provisions for payments to qualified organizations that provide marketwide services that benefit all producers shipping milk in a particular market.

The National Dairy Promotion and Research Program. The Dairy and Tobacco Adjustment Act of 1983 authorized a nationwide program of dairy product promotion, research, and nutrition education, financed by a mandatory 15-cent-per-hundredweight assessment on all milk marketed by producers in the contiguous 48 States. Preliminary research on its effectiveness indicates that, after just 4 months of advertising efforts, this new program already is achieving its objective. Consumers have become more aware of the nutritional value of milk and dairy products and are responding positively to the advertising messages. We commend the Congress for enacting this legislation and support the continuation of the program, provided it is approved by dairy farmers in the forthcoming nationwide referendum.

In summary, there are, of course, many other necessary elements of public policy on dairy programs, such as the nutritional assistance programs, Public Law 480, section 22, import controls, milk protein import restrictions, and the dairy indemnity program, all of which we support. Time today, however, does not permit me to address these vital issues.

On behalf of Eastern and its members, I want to sincerely thank this distinguished committee for taking the time to come here by Syracuse, NY, to listen to our comments. We hope they will be helpful as you forge the dairy provisions of the 1985 farm bill. The future of our industry and its ability to provide an adequate supply of nutritious dairy foods to the American public at reasonable costs is indeed in your hands.

Thank you.

The **Chairman**. Thank you very much. We appreciate your fine statement. The next witnesses will be Mrs. Evelyn Mierek and Mr. Roger Moseley.

We'll be happy to hear from you now, Mrs. Mierek.

STATEMENT OF EVELYN M. MIEREK, DAIRY FARMER, WESTERNVILLE, NY

Mrs. **Mierek**. Mr. Wortley, chairman, members of the committee, ladies and gentlemen, it's remarkable that I stand before you speaking on behalf of central New York dairy farmers at this House hearing on the 1985 farm bill. Only a few short hours ago, I was feeding cattle on our 200-acre dairy farm that has 130 head of registered Holsteins. After that, I got my five children off to school and prepared myself for Syracuse. I asked myself, Why? And the answer is, "Because it's my duty to." The many farmers who toil the fields and work in the barns, like my husband, cannot take the time to present their views to you. They're too busy making a living for their families. And these are the people who are directly affected by abrupt policy change.

We sat down yesterday to construct a testimony and I asked him what he felt the 1985 farm bill should contain. He answered, "They've got to get the Federal budget balanced first, but not at the expense of the farmer." Agricultural problems have expanded tremendously in the past few decades, but farm policies have not kept pace. Farm policy has remained the same since its subsidies inception during the Depression years of the 1930's. The farm problem is actually an economic problem and must be treated as such. To balance the Federal budget would mean a radical 5- to 7-percent cut in all areas. The mere 3 percent which represents farm price supports' portion is a very small dent in the large deficit.

Policymakers are reaching to find alternative approaches to alleviate some of the stress on agricultural businesses. But how is it possible to eliminate policies that took over 50 years or more to establish and expect the farmers to adjust to these drastic changes. You can't reverse policy in 6 months and let farmers hang. Granted, the established farmer of 50 years can adjust, but he's more likely to retire than anything. And who will he sell his farm to? There's virtually no market for farms. If you don't believe it, ask FmHA. Here in the Northeast, unlike other parts of the United States, the average farm is between 300 to 500 acres. Much of the land is not prime cropland because of drainage and slope. But millions of pounds of milk is the result of pasture and hay. If it wasn't for livestock farming, many acres would revert back to woods.

You ask, "How healthy is the farm economy?" The fact that every major farm machinery company, of which some have been in business for some 100 years, such as International Harvester, Allis Chalmers and Case have had troubles and John Deere lost over $20 million last quarter. This must tell you something. In New York, one out of every five jobs is agriculturally related and this amounts to 17 percent of all wages.

Everyone believes that some sort of legislation must be in the bill that permits agriculture to compete on the open market. The dollar is so high that no one can afford to buy America's products. Interest rates must be brought down and the value of the dollar, too.

Food has been cheap. Americans spend only 16 percent of their income on food. The consumer has always been the one protected and the farmer referred to as a burden. Secretary of Agriculture John Block and President Reagan say that the family farmer or the commercial farmer has no right to expect a "bailout." Then why do they feel obligated to subsidize the wealthy to produce food at a loss? People talk about subsidizing the farmer. This is by far a more costly subsidy than any agriculture subsidy has been. The Government says there is a surplus of farm products, yet it enables the wealthy to use money they would have to pay in taxes to produce products that add to the surplus, further lowering the prices for those farmers, who, on the other hand, have to make a profit. The wealthy are competing in the marketplace with the farmer who makes his profit from his business—selling his product. For an example, "Why is someone who makes money on music royalties allowed to write it off in dairying?" This is a piece of legislation that can be addressed—eliminate investment credit and depreciation on nonfarm income going into—I had put agriculture, but I didn't realize that there are other commodities in agriculture, so I'll say dairying.

And going back to the surplus of farm products—"Why is it that after working 15 hours a day to produce food, we sit down, turn on the TV and they show us people starving all over the world?" Yet, the Government tells me they don't need this food. They need my help.

Agriculture cannot be neglected. Back in the 1920's, agriculture was in a depression. The rest of the economy seemed to flourish. In March 1929, at the peak of Coolidge prosperity, President Hoover spoke of "the final triumph over poverty" and then, 7 months later, the stock market crashed. American businesses crumbled and the entire economy slumped into a depression, following agriculture. America paid dearly during the 1930's. An extremely large portion of the American public were found to be malnutritioned. They couldn't afford to eat the proper diet.

The United States has had nine major depressions. To think that this couldn't happen again is pure ignorance. The destruction of America's agriculture will not create an abundance of cheap food.

Thank you.

The CHAIRMAN. Thank you very much.

I appreciate very much your being here and the contribution of you, your husband, and your family to agriculture.

Mr. Moseley.

STATEMENT OF ROGER MOSELEY, DAIRY FARMER, BUSKIRK, NY

Mr. MOSELY. I am Roger Moseley, a working farmer out in the upper Hudson Valley, right adjacent to the capitol district, working enough so that we weren't even sure whether we could be here. But we are appreciative of your presence, and we felt that it elicited an equal commitment on our part.

We are proud of farming; we have been farming for just 5 years short of our second century, and I fully expect that we will continue past that milestone and way beyond. It seems to me that I can't improve on much of what has been said here today. I'd like to put my testimony in the form of questions, perhaps rhetorical, but I hope more than that.

What are our national farm bill goals? It seems to me one of the first questions, is there a distinction between the national good, the national goal, and that of State or commodity goals.

Has the family farm, perhaps, fulfilled its purpose to agriculture? Has the family farm perhaps fulfilled its usefulness to society? I think this is a question which we need to address, specifically, to be clear in what it is that we're considering. I might phrase it a different way: Is there a jeopardy to future American agriculture if we come to rely increasingly on vertical integration in our food production, which is perhaps the logical alternative to maintenance of the family farm. Can we draft a farm policy which creates a sympathetic environment for domestic agriculture, and yet, at the same time, can embrace other countries who have a real need to produce farm products for income.

I'd like to reiterate and accent what has been said so many times, about the Federal deficit as being perhaps the touchstone upon which all of the rest of what I spoke of, stands. And I would also like to say that I'm very gratified by the fact—I didn't know that—of your early involvement in that. I hope it isn't another 20 years before we see even more fruition.

We speak frequently of insulation agriculture being insulated from the marketplace. And I think that probably is valid to a degree, but I submit that we are not alone. We think of cargo preference laws. Is this not also insulation from the marketplace? Even the defense budget, and we don't need to belabor that one, but isn't that also insulated from the marketplace.

I don't stretch the imagination too far, I think, on that one. I would like to close by kicking the lion in his den one more time with regard to the marketplace. There was an interchange this morning. I happen to firmly believe in the marketplace, and my reasoning is this: I have more confidence in the myriad of many individuals making individual choices in the marketplace, as opposed to any kind of monolithic or bureaucratic kind of decisionmaking.

I would like to say, also, relative to things like diversion and so forth, I sense that Congress has been, and is, aware of the sensitive nature, the delicate nature which agriculture is in right now. And I am appreciative, myself, and I know many are, of the fact that Congress, the House Agriculture Committee, in particular, is loathe to take any steps which may endanger or may make worse the situation which is demonstratively poor right now.

Again, I wish to thank you.

The **CHAIRMAN**. Thank you very much. We really appreciate, more than you can imagine, your sacrifice to be here, and I assure you that it will mean much to the members of the committee who will have the opportunity to read your testimony as we prepare for the final drafting of legislation. We thank you.

The next witnesses will bc Messrs. Albert Sweetland, David Dodge, August Anderson, Robert Donald, and Bert Morse.

Again, let me remind all of you, and other witnesses after you, if you summarize, your full statement will appear in the record. It will be appreciated if you could summarize your comments in order to expedite the proceedings.

Mr. Sweetland.

STATEMENT OF S. ALBERT SWEETLAND, PRESIDENT, NEW YORK ASSOCIATION OF CONSERVATION DISTRICTS

Mr. **SWEETLAND**. Thank you, Mr. de la Garza, and Mr. Wortley, for coming to Syracuse.

I'm Al Sweetland, a dairy farmer from Onondaga County, and president of the New York Association of Conservation Districts.

I'm here to speak on behalf of the State's 57 soil and water conservation districts, which are responsible for carrying out programs within each county to protect soil and water resources.

Agriculture is New York's No. 1 industry. The total market value of our agricultural products exceeds $2 billion per year. Through the national conservation programs represented by the Soil Conservation Service's presence in New York, we are currently spending less than 1 percent of that amount on programs to keep soil on New York farms.

If we consider the total income from agriculture, including farm supply businesses, food processing, retailing businesses, and farm export firms, the total figures we spend on soil and water conservation appear almost insignificant by comparison. Yet, all of this economic activity depends on conservation of our ultimate food and fiber-producing resources—soil and water.

I want to address the specific provisions of the farm bill that are vital in New York to protect the soil that supports us.

One, we favor the provision which makes any person who cultivates crops on highly erodible land, ineligible for price supports, farm storage facility loans, crop insurance, disaster payments, or other agricultural loans. For too long, agricultural programs have been at cross purposes with conservation needs. This provision would reward the good manager who seeks to protect soil and water resources for agricultural production now and in the future.

Two, we strongly support the establishment of a conservation reserve program to help producers conserve soil and water resources on highly erodible land. Erosion is a significant problem on New York cropland. A 1982 national resources inventory by the USDA Soil Conservation Service shows that of New York's 30 million acres, approximately 6 million are used to grow crops. On one-fourth of these cropland acres, the soils are eroding at rates faster than nature can replace them. Even more serious is the fact that on half the soils in 32 counties, this erosion is taking place on shallow or sensitive soils, soils which can stand very little erosion before becoming nonproductive.

Three, we also strongly support the need for completing soil surveys as soon as possible. Soil surveys are the only way we can determine the extent of erosion problems affecting sustained productivity. These inventories are an essential tool in State, regional, and local land use planning, as well as for planning on individual farm fields. In New York, soil surveys are the basis for the agricultural value assessment system. About 72 percent of the State has been soil surveyed. We need to complete the rest as soon as possible.

The farm bill calls for SCS assistance in the implementation of these and other provisions. We agree with this provision, but would point out that the proposed 15-percent budget cutbacks would significantly reduce staff available within each county to perform these services, and would have a major impact on other vital programs.

It is my opinion that these services are absolutely essential in maintaining the long-term ability of this country to meet its own food and fiber needs, and to help in meeting nutritional needs for the rest of the world.

In 1984 alone, SCS assisted over 15,600 New York land users in planning and implementing conservation systems on their land to reduce erosion and improve water quality. This assistance prevented nearly half a million tons of soil from washing away, statewide.

Through the Watershed Protection Program, SCS has provided approximately $11 million of flood protection benefits in the past 5 years. These projects have protected communities and farms from flooding, as well as providing benefits in the areas of soil erosion control, flood protection, water quality, improved pasture and hayland, agricultural water management, and livestock production.

When flood disasters strike, SCS emergency assistance is immediately available to protect lives and property. For example, last year in Allegany County, SCS provided $800,000 to protect 19 bridges, 17 roads, and 2 community water systems. The work was completed within 30 days and provided protection from additional damages that could have totaled over $7 million.

Technical assistance from SCS is also the basis for the Resource Conservation and Development Program. This program helps communities expand economic opportunities through wise use and development of natural resources. Benefits from this program in the period 1980 through 1984 totaled $16 million in New York.

All of these programs are part of a nationwide effort to maintain the soil and water resource base. A strong, healthy agriculture must include Government support and involvement in conservation programs.

This is a major difference between the agricultural success we see in the United States, and the disaster we are witnessing in Ethiopia.

I thank you.

The CHAIRMAN. Thank you very much, sir. Mr. Dodge.

STATEMENT OF DAVID M. DODGE, DAIRY FARMER, WOODVILLE, NY

Mr. DODGE. My name is David Dodge. My wife, Nancy, and I own and operate a 525-acre dairy farm located approximately 60 miles north of Syracuse.

I'm here today representing only myself, as a commercial dairy farmer. And my remarks will be brief.

The dairy section of the 1985 farm bill should include the following provisions:

One, we should maintain the price support purchase program. The program has worked well, and provided stability for the dairy industry for 30 years.

Two, the support price should be set annually at the floor level, not an income-enhancing level. The proposal to use 90 percent of the previous 3-year market price average seems to me to be a simple method that makes the support level responsive to the marketplace.

Three, further adjustments of the support price as Government purchases rise or fall below the 5 billion pound level.

Four, changes in the support price should be moderate in nature in order to give the industry time to adjust. A 50 cent adjustment annually seems to me to be an appropriate level.

Five, continuation of the National Dairy Promotion Program, provided that dairymen vote the approval of the program in the referendum this summer. It has been my privilege to serve this past year as one of New York State's three directors on the National Dairy Promotion and Research Board. I firmly believe that dairymen will vote to continue the program. The future health of the dairy industry depends on an aggressive marketing program. Promotion and research are vital parts of that program.

In closing, I would like to remind the members of the committee that the dairy industry is a strong, viable industry. The industry is in a period of adjustment, and as new technology becomes available, further adjustments will be needed.

We need, in a 1985 farm bill, a dairy program that will allow the industry time to adjust. A program such as I have outlined will provide the opportunity and encouragement for the dairy industry to meet these challenges.

Thank you for coming to Syracuse to give us an opportunity to present our ideas.

The CHAIRMAN. Thank you, sir. We appreciate your contributions.

Mr. Anderson.

STATEMENT OF AUGUST E. ANDERSON, FARMER, DELAWARE COUNTY, NY

Mr. ANDERSON. Mr. Wortley, Mr. de la Garza, I'm August Anderson, from Long Eddy, NY. I farm in Delaware County in the foothills of the Catskill Mountains. Our crops are maple syrup, beef cattle, and timber.

The point I want to get across to your committee is that you must make the programs usable to us.

Case in point: We have recently been under an infestation of forest tent caterpillars about 3 years, 1979 to 1983, which defoliated approximately 200,000 acres in Delaware County. And have totally killed the timber on 60,000 acres. The Federal Government had moneys available to help private landowners fight off this menace, but the way the law is set up, the State DEC has to ask for the money, and New York State refused to ask for it, because the environmentalists have pressured the State government enough to stop all spray programs.

As a result, myself and my neighbors were denied access to Federal money, and we lost our syrup producing trees plus many of our timber lots. We are out of business for the next 100 years because that's how long it's going to take to replace those trees.

As an ASCS committeeman, I suggested that we set up a Cost-Shared Spray Program to save the $150,000 the U.S. Government has spent in our county over the past 9 years on timber projects. It was well-received at the local level, but again, New York State DEC stopped its passage. So, again, we were denied Federal money. We lost our timber and the U.S. Government lost its investment in its ASCS timber projects.

Some method should be devised to get the money directly to the farmer. It doesn't do us any good to have appropriations of these funds, when we can't use them. These trees are valuable assets to our economy, the preservation of our watersheds and erosion protection.

Another point to make is, there are not any programs such as crop insurance, disaster funds, or indemnities, for farmers who lose trees and sap bushes through no fault of their own, as there is to farmers who lose their cattle herds, their chicken flocks, or have crop failures.

It will take 75 to 100 years to put these trees back in production. Just what do we do in the meantime for a living? The Federal Government says the money was there; why didn't you use it?

Our State Governor and DEC will not even answer our letters. This is an interesting predicament. Those of us in agriculture must consider environmental groups are swaying our legislatures to Government by environmental hysteria, and not by commonsense and scientific facts. It won't be long before you can't spread manure or spray crops in the name of environmental purity.

Now, these trees that they took away, many of these acres sat around New York City's water supply. And they were supposed to hold the water. In this dry year, what are they going to do in August, this year? The land that these trees stand on, I'm going to have to go in and cut it clear. That land, I've got to bring it into production some way to make a living, and that land deserves to be under trees, and not land that I can go out there and erode away.

But, if I put it back into trees, I can't, unfortunately, stop eating for 100 years.

Thank you.

The CHAIRMAN. Thank you very much. I wish we had heard your testimony when we had all of the assemblymen and senators here. We will pass the word to them of your dilemma.

There should be some appeal or some way to take direct action.

Mr. Donald.

STATEMENT OF ROBERT DONALD, FARMER, MORAVIA, NY

Mr. DONALD. My name is Robert Donald. I'm a crop farmer from Moravia, NY. I farm in partnership with my brother, Rodney, and we have about 1,200 acres of corn ground.

My statement is, I'd like to see Government involved less in agriculture. We have the Price Support Program for grains, in particular, is above the world market prices, and it makes us less competitive in the world market. If the price support were eliminated, or reduced, we could be back in the world market for grains, which I produce.

Also, the Farmers Home Administration, with their haphazard lending policies, has caused the price of everything that farmers buy to be inflated. If they were more cautious with their lending programs, everything that the farmers buy would be more reasonably priced, including the farmland and machinery and all the inputs that the farmers use to put their crops in.

I'd like to see the Federal Government either reduce support prices, or eliminate them, and perhaps take a closer look at their Farmers Home Administration and their lending policies on disaster loans, too, with their 30-percent requirement or 30-percent reduction in yield or whatever, to be qualified as a disaster loan participant.

That's all I've got to say.

The CHAIRMAN. Thank you very much, sir. We're very happy to have you here.

Mr. Morse.

STATEMENT OF BERT S. MORSE, PRESIDENT, NEW YORK STATE GRANGE

Mr. MORSE. Thank you, Mr. Chairman. Congressman Wortley. Again, our appreciation for the opportunity to be here. This is truly democracy in action.

Are you listening. I understand you've come to our State to understand more closely some of the problems we face.

I am Bert S. Morse, president of the New York State Grange, a 30,000 member rural agriculture organization in the State, located in 520 communities across this great State of ours. I'm also an active dairy farmer on a 500-acre farm in New York, approximately 60 miles south of the city of Syracuse.

The 1985 farm bill has been a topic of active discussion for months. In New York State, a respresentative group of general farm organizations and dairy cooperatives have met several times and reached agreement on major points to be included in new legislation.

I would direct my remarks at some of the causes and look then at suggested conclusions for solutions. I am convinced that much of the current farm problem stem from Government actions and that the solution lies in Government correcting basic economic causes.

The previous administration maintained support prices too high, thereby encouraging production because the producer could realize a profit, for the Government was committed to step in as a market buyer. Surpluses increased.

Decisions made by the previous administration destroyed confidence of some foreign buyers in America's ability to deliver contracted goods. Specifically, embargos, such as the wheat embargo of the Soviet Union, were specifically singled out to bear the major brunt.

The huge Federal deficit that must be brought under control. This has caused high interest rates, increasing the cost of doing business, making it attractive for foreign capital to be invested in America, thereby replacing American capital.

This issue is also directly related to the high value of the dollar in comparison with other major foreign currencies, thus increasing the prices of American goods to their nations, and making it easier for their products to enter into American markets.

For example, the Canadian dollar, worth approximately one-third less than the U.S. dollar, a wholesaler in New York City can find out that he can buy $1.37 worth of vegetables in Canada for what he would pay $1 in America. Therefore, he goes to purchase and fulfill his needs from the other country.

The answer to this lies in the hands of the U.S. Government, not in the hands of the farmer. Please accept your responsibility in correcting this. It seems that many give lip service to cuts in Government expenditures to enrich their own pocket; then it becomes sacred ground.

We each must accept a reasonable share of cuts to balance the budget. This redress cannot be delayed.

Foreign Trade. In the early 1980's, agriculture exported some $40 billion worth of products, a major source to improve our balance of trade position. Now, with the problems just previously discussed, agricultural exports have declined measurably. This loss of market works counter to the present administration's goal to improve the agricultural problem in the so-called marketplace.

Correcting the budget deficit, bringing the dollar value inline with other currencies, can help correct the loss of foreign markets.

We also feel that American trade negotiations are not aggressive in protecting American interests in expanding foreign markets and competition with foreign competitors. We have a prime asset in our food production. There are people starving. Can we not bring the two together?

The New York State Grange has favored free trade but this must be a two-way street. The term "fair trade policies" could more appropriately be termed "fare trade." Can we expect the American producer to meet subsidized production from other nations whose transportation costs are picked up by their Governments? Where fertilization costs are lower due to their Government sales?

Also, labor has gained concessions in that a certain percentage of domestic goods must be shipped in American ships at a higher cost. This adds to the cost of our goods overseas. The expansion of foreign markets is vital. Government policy impacts this possibility greatly.

Congress needs to address this issue, and not with another study. We have the facts. Now, let's have that policy legislated. There are those who believe that Government can buy prosperity. This could only, at best, be a short time bandaid, and with its success highly questionable.

We need truly a long-term agriculture policy; not short term programs. One that once that policy is determined and once the goals are set, then the programs can be enacted to obtain those goals. We cannot build a permanent agriculture prosperity on 4-year farm bills.

It is difficult to say this, but all current producers will not be able to stay a producer. They should have the opportunity to try. Certain Government loan programs have encouraged retention of some whose talents could find greater success in related fields. This transition may be eased by retraining programs. Some educational assistance may be needed.

How do we move from the current policy to one where the farmer will receive his just share of the food dollar?

One, we must move toward a market-oriented policy.

Two, the move must be by steps. The Government has led producers for 50 years with grains, subsidies and so forth. The jolt of immediate and complete removal would be too great. Remember, a nation without a prosperous agriculture soon begins to decline.

Third, the Government's major task now is to one, build a balanced budget; two, assist in opening foreign markets through fair trade programs; three, equalize the value of the dollar and bring it into proper relationship with other currencies; and four, not to use food as a foreign policy or as a political weapon.

The industry, agriculture, itself, must: One, build an aggressive, well-financed promotion program. This should be producer-financed, producer-policy set, but managed by professional people. Two, agriculture must work together; we must bring our groups together. Recognition must be made to the many sectors of agriculture conflicting sometimes with one another; the grain producer with the dairy consumer in the East. Three, education of the consumer must receive more attention. We can build our domestic markets.

Immediate but gradual reduction of price supports will be in the long-term interests of farmers, of the consumer, and the Government.

Yes, in concluding we would say, aggressive marketing yes. Producer promotion, yes. Reduce Government deficits, yes. Increase foreign trade, yes. Consumer educational programs, yes. And a long-term policy instead of year-to-year programs, yes.

Again, our appreciation for this opportunity to share with you, our thoughts.

[The prepared statement of Mr. Morse appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir. We appreciate your cooperation and your testimony.

Congressman Wortley.

Mr. WORTLEY. Al Sweetland, I just want to say that you are a very staunch and articulate supporter of soil conservation. And I want you to know that those of us sitting up here appreciate your advocacy on behalf of one of our most precious resources, the soil.

I personally think that Congress would be very shortsighted if we did not continue our soil and conservation programs.

I would just like to ask Mr. Dodge and Bert, both of whom are dairy farmers, do either one of you gentlemen participate in the diversion program, yourself?

Mr. DODGE. I did. I wanted to make a comment on that because I think there were some misstatements this morning in the testimony here, but the production this past year was down totally for the country 3 percent total production. Consumption was up in the neighborhood of 3½ percent.

Government purchases were down 40 percent.

Mr. WORTLEY. I think that's what the Chairman meant.

Mr. DODGE. Still, I think some people misunderstood what was being said. That's why I wanted to comment. I did participate in the program.

Mr. MORSE. No; we did not participate in the program. We are individualists, and we fully believe in the right of the individual to make that decision.

I think there's less than 5 percent in this area that are participating in the diversion program.

Mr. DONALD. Indirectly, we did participate because we paid for the program.

Mr. WORTLEY. Yes; right. Good point, Mr. Donald.

I just wanted to draw out that point so the Chairman would know.

Thank you very much.

The CHAIRMAN. Thank all of you very much.

Next, we have Mr. George Cregg, Maureen Torrey, Paul Westheimer, and Dr. Roger Morse.

Your full statements will appear in the record, and to the extent that you can summarize we will appreciate it.

Mr. Cregg.

Mr. CREGG. Mr. Chairman, I must call your attention to the fact that I would be an ingrate if I didn't pay attention to the fact that you and I have a very close mutual personal friend in Frank Burkatt, and I certainly wish that the next time you see him in McAllen, TX, at that beautiful free-trade zone, that you say hello to Frank. You can tell him that we've recently established a free trade zone in this area, and it is recent, and so we're just getting off the ground.

STATEMENT OF GEORGE W. CREGG. SR., LAWYER AND CERTIFIED INDUSTRIAL AND ECONOMIC DEVELOPER, CAMILLUS, NY

Mr. CREGG. As you know, I'm a lawyer, but I'm also a certified investor and economic developer. I appear here today with regard to a project that I'm very familiar with but I do not represent anyone other than myself.

I suggest that, since you've observed our fairgrounds here, that you read the Syracuse Post Standard before you leave, and see the rather ornate program that Commissioner Jurasci has proposed for the further development of this fairgrounds, and the promotion of agriculture and agribusiness in our area.

With that, I would like to call attention to a quotation that I put in my statement, which is rather brief. I didn't intend to read it, but since several people have talked about the relationship of government, commerce, industry, and agriculture, that we should take a look at what Alexander Hamilton, in the New York Packet, on Tuesday, November 27, 1787, wrote, and it is, I quote:

> It has been found in various countries that, in proportion as commerce has flourished, land has risen in value. And how could it have happened otherwise? Could that which procures a freer vent for the products of the Earth, which furnishes new incitements to the cultivation of land, which is the most powerful instrument in increasing the quantity of money in a State—could that, in fine, which is the faithful handmaid of labor and industry, in every shape, fail to augment that article, which is the prolific parent of far the greatest part of the objects upon which they are exerted?

I should further point out to you that the New York Times, on May 7, 1985, indicated that a recent study has indicated that erosion has long been a major and growing cause of the loss of cropland.

The Wall Street Journal, on April 26, 1985, featured an article entitled "Cropland Erosion Is a Growing Problem."

I'd like to mention to you a program that Congressman Wortley referred to this morning. And that is, in February 1984, the U.S. Department of Agriculture Soil Conservation Service, produced a preauthorization planning report and plan of work for planning assistance for the Otisco Lake Watershed, which is only about 20 miles to the southwest of here where we are located.

That plan was accepted and the plan was authorized by Peter C. Meyers, then the Chief of Soil Conservation Service, under the Watershed Protection and Flood Prevention Act. This planning effort was begun in May 1984, and involved 68 active farms in the watershed of Otisco Lake Reservoir, which is one of New York's famous finger lakes, and involves the taking of water from that lake, about 20 million gallons a day of potable water per day, and supplies about 100,000 persons in this area in Onondaga County.

This is the first project of this kind in New York State. It will involve some well-accepted and sophisticated farm practices in relation to soil tillage and the disposal of animal waste.

In this area, over 50 percent of the active cropland in that Otisco Lake watershed exhibit excessive sheet and rill erosion, and there is some sediment and nutrient delivery to the Otisco Lake Reservoir. Erosion rates on 6,338 acres of cropland range from 3 tons per acre per year to over 30 tons per acre per year. The average erosion is 9 tons per acre per year, and as you well know, three times an acceptable rate for replenishment of the treasured topsoil needed to feed the inhabitants of Onondaga County and the rest of New York State.

The thin soils of New York State will not last long if this rate of erosion continues. The loss of productivity as a result of this erosion has been estimated at as high as $5 per acre per year for some of our shallow soils.

And the average loss has been estimated at $2.70 per acre per year. The waste of New York's cropland cannot be allowed to continue if its citizens are to be economically fed. The lesson of Ethiopia in 1985 is being heard and must be listened to. Or erosion will eventually take its toll.

The area around the lake is also the site of several 100 year round and recreational homes, and the lake is used extensively for fishing, swimming, and boating. The area residents should benefit directly.

A combination of land treatment practices and animal waste management appears to be desirable. The work plan is practically complete. All that is needed to finish this project at present is to leave enough money in the 1985 budget to start the 3 to 5 year work program, providing approximately $400,000 in grants for half of the cost.

It is anticipated, and we've had several meetings with them, that the New York State Job Development Authority can furnish the other 50 percent of the cost in the nature of low-interest loans to the involved farmers, at rates, hopefully, somewhere between 7.5 and 9.5 percent.

Agriculture, as you've heard many times today, is New York's No. 1 industry. And if you include the lawyers, and some of the doctors, and a few others, certainly more than one in four jobs in New York State depend on farm production.

Oddly enough, not one single member of the New York State delegation, including the Congress and the Senate, have a single Member on the Agriculture Committee of either the Senate or the House. We would urge that at least one of those committees have a Representative from the State of New York.

To preserve our agriculture is to preserve our Nation. New York is doing its part. But let's not wash away our world leadership by woeful neglect of eroding soil. Let's do whatever is necessary to maintain our State's and the Nation's farms, especially the family farms.

[The prepared statement of Mr. Cregg appears at the conclusion of the hearing.]

Mr. CREGG. Incidentally, Mr. Chairman, there is some additional information to some of the statements that I made, that is attached to my statement, and I would like to consider that a part of the written statement.

The CHAIRMAN. Thank you very much. It will be. You may proceed. Or have you concluded?

Mr. CREGG. No, I've concluded.

The CHAIRMAN. Thank you very much.

Mr. Morse.

STATEMENT OF ROGER A. MORSE, FIELD SECRETARY, EMPIRE STATE HONEY PRODUCERS ASSOCIATION

Mr. MORSE. Mr. Chairman, Mr. Wortley, I join with the others in thanking you for coming here today.

Whereas, I'm a professor at Cornell, I'm also the field secretary of the Empire State Honey Producers Association, and I'm here in that capacity today.

The beekeeping problems in my State can be summarized and told to you in very simple terms. We've had a loan program in effect in this country since 1950 for honey, and its worked very very well, until a few years ago, when we ran into a flood of cheap, Chinese honey. Now, we've pleaded with the Secretary of Agriculture, for changes in the present loan program, that would benefit everyone, but instead, what we have is the administration bill H.R. 1420, before you.

And that bill eliminates the loan program completely. If you follow through with that bill, we're going to bankrupt the beekeepers in the United States, including the gentlemen who are here with me today. Now, my chief concern right today is, if we follow through with H.R. 1420, just where are we going to get the bees in New York State to pollinate the 25 million bushels of apples that we grow in this State? Beekeeping is honey production, and it is pollination.

You can't disassociate the two; they're very closely intertwined and very well married to one another. We need some kind of a loan program or some kind of a support program, and I emphasize that we are willing and very eager to compromise to do whatever we can to keep a viable beekeeping industry for pollination purposes in this country.

I urge that the present House bill H.R. 1420 be changed to include an on-going loan program. I also urge you to pass the companion bill, S. 1025, and I don't have the number on that. It was introduced by Congressman Gene Chappie on May 8, and basically it calls for action on the part of the International Trade Commission.

If we can do these things, we can continue to have a good healthy beekeeping industry and we can provide the needed bees for pollination.

Thank you very much.

[The prepared statement of Mr. Morse appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, doctor.

Mr. Westheimer.

STATEMENT OF PAUL WESTHEIMER, VICE PRESIDENT, NEW YORK STATE VEGETABLE GROWERS ASSOCIATION

Mr. **Westheimer**. My name is Paul Westheimer. We farm about 700 acres at Schoharie, NY, about 35 miles west of Albany. I'm also vice president of the New York State Vegetable Growers Association.

I was part of a group of vegetable growers who met at your office, Mr. Chairman, last year, and we want to thank you for following up on the idea that you expressed then, of having a hearing such as this in the Northeast. I think that this is particularly important because people in many parts of the country are unaware of the magnitude of agriculture in this region.

Our main crops are carrots and parsnips, some other vegetables, and some grain, which we package for distribution to chain stores—the vegetables, that is. We employ six people all year, and up to an additional 45 local people during our harvest and packaging season.

Obviously, as we've heard here today, there are many issues of concern to farmers, in general, and vegetable growers in particular. We appreciate the opportunity to express our views here.

To reduce repetition of other speakers' statements, I'll concentrate on only one issue, that of the increasingly devastating impact of Canadian vegetables which frequently flood our markets at prices below our cost of production.

I have been actively involved with a group of growers from New York, Michigan, New England, Florida, Ohio, Washington State, Ohio, and others, trying to get relief from this problem for several years. Each year, producers of more and more commodities have joined our efforts, and recently, within the last week or two, a coalition as been formed called the "Coalition for Fair Trade." National Coalition for Fair Trade.

We've gathered data from Canadian sources outlining the extent of their subsidy programs. We've made several trips to Washington, at considerable expense of time and money, to present our case to the USDA, to the Commerce Department, to the Special Trade Representative's Office, and to various Congressmen and Senators.

Time doesn't permit me to go into detail about our data, but very briefly:

One, Canada pays outright grants of as much as one-third of the construction costs of new storages, up to a $500,000 maximum.

Two, in 1983, which is the last figures we have, stabilization payments of $66.8 million were allocated.

Three, a 3-year budget of $12.3 million was allocated for Canagrex to expand exports of Canadian agricultural products.

Four, for the 1983-84 crop year, interest free advance payments for unsold crops in storage were made. The amount of interest was $8.5 million.

There is much other data in some of the attached material here.

Additionally, there are subsidies for clearing land, for transportation, and quick ways of stopping imports of produce when domestic supplies are adequate.

In support of some of the above statements, I'm attaching a copy of various trade paper articles, mostly with Canadian datelines.

After several years of working on this problem, I have come to some disillusioning conclusions. Presently available remedies, such as countervailing duties and antidumping petitions don't seem to work. They're too cumbersome, too expensive, and have too often been overturned for extraneous reasons. Some of the current proposals to streamline these remedies don't adequately address the problem, either.

The disillusioning aspect is the growing impression that we vegetable growers, in the Northeast particularly, are expendable pawns in a game where the major factors are interests with more political clout. We keep hearing, "We know you have a problem, but——."

I want to state that not only am I thoroughly aware of the many valid arguments in support of free trade and against protectionism. I agree with them. But to have a sound discussion of these topics, we need to define both terms. In admittedly simplified terms, free trade is the unobstructed and unaided movement of goods across national boundaries.

Protectionism is restricting, eliminating or taxing the importation of goods to protect domestic producers against lower cost products from other countries.

When domestic producers are harmed, because the foreign producers are more efficient or produce a better product at similar cost, the arguments against protectionism have a great deal of validity.

This, however, is not the case in this situation. Also, when an American industry in which very high wages are paid, is impacted by imports, a more valid argument against remedies can be made.

As you know, Mr. Chairman, this unfortunately is not the case in farming. The term free trade doesn't describe what's currently happening to the movement of produce between the United States and Canada. Canadian producers avail themselves of a broad array of direct and indirect subsidies from their Federal and Provincial governments which, combined with the lower value of the Canadian dollar—mentioned by previous speakers—enables them to have a devastating impact on our growers.

The Canadians are very frank about their objectives for supporting their producers and vastly expanding exports. Their former Minister of Agriculture Whelan has stated, "If I were a U.S. producer, I'd worry, too."

Some of the major crops affected are onions, potatoes, carrots, lettuce, celery, and cabbage. Most seriously affected are producers in our Northeastern and North Central States because our growing season coincides with that of the adjacent Canadian Provinces. However, southern and western producers, who ship all year, are not immune. Their eastern markets are also badly impacted during the Canadian shipping season. These growers are reluctant to speak up because they ship much more produce to Canada during Canada's off season.

This brings us to a common argument used against our efforts, namely that Canada buys much more produce from us than vice versa, and that they would retaliate against any U.S. legislation to alleviate the problem.

The fact that Canada buys more from the United States is not surprising since their climate doesn't enable them to produce commodities like citrus fruit, avocados, and no fresh vegetables and fruits during the winter months, when their most logical source of supply is from the southern and western U.S. production areas.

We feel that retaliation, if any, would be token and temporary, because Canadian policy already drastically restricts U.S. produce from entering Canada and does so quickly, when their domestic supplies are adequate. Therefore, any retaliation would hurt their consumers when domestic supplies are not available.

We need specific, more or less automatic relief, such as that provided for in H.R. 110, introduced by Congressman Gilman, and its companion bill, introduced in the Senate by Senator D'Amato. This legislation is similar to legislation currently in place in Canada. It only triggers a surtax when the volume and price of imports causes the price to drop below 85 percent of the previous 3 years' price. This legislation is fair to consumers, domestic and foreign producers, because it only has an impact when prices are abnormally low. At other times, it does nothing to impede trade, and yet, we keep hearing nebulous arguments why it has no chance of passing. We feel that this type of legislation, or some modified version of it, which might be more politically acceptable, is our best hope.

We submit that, unless this problem is remedied soon, the gradual erosion of the vegetable industry of several States will continue at an accelerated pace. The only way many of us have been able to survive economically is to cut corners on expenses, particularly in replacing and updating equipment. This can't go on indefinitely because it will eventually further erode our ability to compete if it causes us to fall behind our competition in efficiency and productivity.

This will have an economic impact disproportionate to the number of vegetable growers involved because of the multiplier effect of the dollars of these growers, their employees and suppliers. It will also, in the long term, have a negative impact on consumers as they become more dependent on imported products.

While other countries are making a conscious effort to become more self-sufficient for their food supplies, we are letting our markets slip away, making us more dependent on others.

Thanks, again, for the opportunity.

[The attachments follow:]

Page 14A — THE PACKER, Sat., July 2, 1983

Ontario vegetable exports to U.S. climb; rutabagas top commodity list

Shippers improve facilities, beef up sales efforts to 'best customer'

By CARL [illegible]
Northeastern Correspondent

TORONTO — Exports of Ontario vegetables and vegetable products to the United States has been climbing steadily for the past decade and reached $50 million in 1982, according to W.H. Richardson, market development specialist for the Ontario Ministry of Agriculture & Food, here.

Of this total, $24.5 million was for the fresh market, according to figures prepared by Statistics Canada. This represents a 100-percent increase from $12 million in exports for 1978.

Rutabagas were the largest export commodity in 1982 as well as in 1978. In 1982, rutabaga sales were worth almost $8 million, up 60 percent from $5 million in 1978. The increase in rutabaga sales reflects an increase in market value rather than export tonnage, which was down 6.3-million pounds over the same period, according to Statistics Canada. The New York-New Jersey-Pennsylvania region was the largest importer of rutabagas in 1982, with $2.4 million in sales, representing 30 percent of the [illegible] counted for $1.4 million in sales.

Carrots are the second-largest export commodity from Ontario. They accounted for $5.3 million in fresh sales in 1982, up from $2.9 million in 1978. This increase of more than 80 percent reflects an increase of volume, which jumped about the same percentage during the five-year period. The New York-New Jersey-Pennsylvania region accounted for more than 30 percent of these sales, followed by the Michigan-Ohio area.

POTATOES ARE generally the third-largest export vegetable, depending on market conditions. They accounted for more than $3 million in sales in 1982, according to figures prepared by Statistics Canada. Once again, the lion's share of these went to the New York-New Jersey-Pennsylvania and to the Michigan-Ohio regions, which together accounted for 90 percent of total sales.

Onions also may be exported on a large scale depending on market conditions. They accounted for almost $2 million in sales in 1978 but only $1.3 [illegible] onions throughout the Northern United States, as well as in Ontario, created a poor export market for 1982, according to industry sources in the Bradford, Ontario area.

The greatest increase in exports was registered by other non-itemized vegetable exports combined. These included cauliflower, cabbage, celery, beans, lettuce, peppers, cucumbers, etc. (excluding tomatoes). This category accounted for $2.3 million in sales in 1978 and jumped to $6.1 million in 1982, an increase of approximately 160 percent, according to Statistics Canada. A breakdown by commodity within this category was not available.

Overall, the New York-New Jersey-Pennsylvania region is the largest buyer of Ontario vegetables, accounting for almost 40 percent of the $24.5-million 1982 total, according to Philip Regh, market analyst for the Food Processing Branch of the Ontario Ministry of Agriculture & Food. Michigan and Ohio took slightly more than 25 percent of total vegetable exports in 1982. New England received about 7 percent of the total. The ratio of total Ontario exports to each of these regions was comparable in 1978, according to Regh.

WHILE THE VOLUME and dollar value of specific Ontario export items fluctuates considerably from year to year, overall sales have climbed at a fairly steady annual rate of 15 percent during the past five years, according to Henry Pauls, export section head for the Market Development Branch of the Ontario Ministry of Agriculture & Food.

"We're projecting a doubling of vegetable exports from Ontario to the U.S. during the next five years as well. The U.S. is our most valued customer, accounting for at least half of our total exports of fresh vegetables," he said.

"The 20 percent discount on Canadian currency during the past couple of years has been a boon to exports and gives the U.S. buyer a good value for his dollar," he said.

There has been increased interest by many individual shippers in Canada in increasing exports to the United States. Some, like Armstrong Produce Co. Ltd., and Advance Produce & Trucking Ltd. in Leamington, Ontario, and Exeter Produce & Storage Co. Ltd., Exeter, Ontario, not only have added new packing lines to increase their output, but have changed their shipping cartons to conform to U.S. standard units, such as the one and one-ninth bushel.

These and other shippers have added salesmen specifically to concentrate on sales to U.S. markets. Others, such as Bailey River Farms Ltd., Dominion Farm Produce Ltd., The Ontario Produce Co. and Gemini Farms Ltd., in Bradford, Ontario, gradually have been increasing their sales effort in the U.S. marketplace, both in terms of volume and variety. Most of these shippers also have added new cooling facilities to handle increased volume for exports. Some, like Bailey River Farms, have added their own quick-cooling facilities to increase their export capabilities with more perishable items such as leafy greens and cole crops.

The demand for assistance in obtaining shipping label approval has increased at the offices of the export section of the Market Development Branch. According to Pauls, "We collect the information and send it on to our embassy office in Washington, D.C. Approval usually takes three to six months," he explained.

PAULS' OFFICE also keeps lists of major U.S. buyers and food brokers, and refers shippers interested in specific U.S. markets to [illegible] across the country. "We also inform them of and recommend their attendance at upcoming trade missions and conventions," Pauls said.

The trade missions that the export branch organizes have been an important vehicle for bringing U.S. buyers and Canadian shippers together in major U.S. cities. "We generally organize at least a half dozen trade missions each year. At least half of these are in the United States. That's because the U.S. is our best customer as well as being our best neighbor.

"There are more than 130-million Americans within a day's truck haul from Ontario packinghouses. Our other export customers are much further away. That is why we will continue to focus our efforts on the United States with regard to vegetable exports," explained W.H. Richardson, market development specialist and chief organizer of Ontario trade missions for the past 18 years.

"Remember though, that we still import far more than we export and undoubtedly always will. But, whenever you're short on some item and we're long on it, we will be there to meet your needs as we can count on the U.S. to

Page 18A THE PRODUCE NEWS. August 27, 1983

'Sleepers' Replace Vegetable Root Cellars

Special to The Produce News

OTTAWA—From root cellars to 'sleeper' technology, Canadians have been finding ways to extend the storage life of fruits and vegetables.

"Because of Canada's short growing season and long winters, it is important to be able to properly store domestically-grown fruits and vegetables for as long as possible," explains Gerry Umbach, a marketing officer with Agriculture Canada in Ottawa.

"Thanks primarily to Agriculture Canada researchers," the root cellars of the early settlers have been transformed into sophisticated storage facilities where these crops can be held in a 'sleeping' state for nearly a year."

Today, Canadian-grown apples, carrots, potatoes, rutabagas and cabbages, harvested in September, still have their fresh-picked flavor and nutritive value the following May.

"In addition to this research, the department has the Fruit and Vegetable Construction Financial Assistance Program (FVSCFA) to help producer groups take advantage of the newest storage techniques," Umbach says.

The program was created in 1973. During the first 10 years, the department gave 160 producer groups about $19.4 million to help them construct new and better storage facilities.

The department can pay as much as one-third of the construction costs up to a maximum of $500,000 per project. The level of technology to be incorporated in the facility is one of the important criteria for determining the amount of financial help.

"The program has proven its value to the fruit and vegetable industry and our economy so the government has extended it for another three years with a total budget of $15 million," Umbach says.

Jacques Bigras, president of Bigras et Freres near Montreal, says the program has given his carrot business a 20-year boost.

"On our own, we would have needed another 10 years to save enough money to make the down payment for this new construction," Bigras says.

"Because of the program, we were able to build our storage in 1981 and this year we will be able to start paying back what we owe from our extra profits."

"The new facility has also meant that we employ people for longer. We employ 50 to 60 people in the summer and 20 to 25 people in the fall. Before we built our new facility, we would let our fall staff go by December. Now we keep them on for another three months."

According to Umbach, Bigras' experience is typical of those taking advantage of the program.

In British Columbia, one group spent $13 million in 1981 and 1982 for six controlled atmosphere facilities for apples. (FVSCFA provided $1.6 million of that amount.) As a result, B.C. apples now can be stored in good condition until late June and early July of the following year.

Another group, in Vauxhill, AT, built a facility last year to store potatoes for processing. That storehouse is now providing Canadian-grown potatoes to local processors from harvest until the new Canadian crop starts coming on the market in July.

"Nearly 80 percent of the help given under this program has been used to increase storage facilities for apples, pears and potatoes," Umbach says.

"The remaining 20 percent has gone to carrots, onions, rutabagas, parsnips and cabbages. In the future we will be placing more emphasis on assisting this horticultural area.

"It is not only a worthwhile investment for the producer, but the consumer too. Home-grown fruits and vegetables are almost always cheaper than imported products that have to be shipped thousands of kilometers from southern climates. But the biggest advantage is the extra jobs it creates."

Page 10A — THE PACKER, Sat., Jan. 14, 1984

Ag Canada announces payments to growers in price-support plan

OTTAWA, ONTARIO — Canadian agriculture minister Eugene Whelan recently announced a $66.8-million stabilization program for eight agricultural commodities designated for support under the Agricultural Stabilization Act (ASA).

The designated commodities are the 1982-83 crops of apples, greenhouse cucumbers, onions, carrots, cabbages (in eastern Canada), rutabagas (in eastern Canada and Manitoba), white beans and winter wheat.

"All of these crops play an important role in the economy of the regions in which they are grown. Most of them also represent significant processing activities. This means many jobs depend on this federal assistance to help producers overcome financial difficulties caused by increased costs of production and weak markets," Whelan said.

Payments made under the program announced Dec. 21 mostly will benefit producers in Ontario, Quebec, the Atlantic Provinces and British Columbia.

"Calculations are also under way concerning the 1982-83 potato crop for eastern Canada and colored beans. Once the results are known, these crops might be recommended for support early in the new year," Whelan said Dec. 21.

Except for winter wheat, the support levels for the other designated commodities have been established at 90 percent of the previous five-year market return average, indexed to reflect changes in cash costs of production during that period. The deficiency payments represent the difference between the support level and the average market return for the 1982-83 marketing year.

THE 1982 APPLE crop faced heavy international competition from abundant harvests in most apple growing areas of the world. Apples are very important as a source of farm cash receipts in British Columbia, Ontario, Quebec, parts of New Brunswick and Nova Scotia. The market weakness in both fresh and juice varieties affected all apple growing regions in Canada. There will be a deficiency payment of 4.63 cents per kilogram (2.2 pounds) to more than 3,500 producers, for a total cost of $21.2 million, Agriculture Canada announced.

The 1982 apple crop faced heavy international competition from abundant harvests in most apple growing areas of the world.

Greenhouse cucumbers, grown in late winter for the spring fresh market in Canada, have suffered substantially from increases in energy prices. About 170 producers are involved mainly in southwestern Ontario, with smaller numbers in Quebec, Nova Scotia, Manitoba, Alberta and British Columbia. Agriculture Canada noted they will receive a deficiency payment of $1.42 per dozen, for a total program cost of $4.3 million.

About 500 Canadian producers grow onions in British Columbia, Ontario, Quebec and Manitoba for both the domestic and export markets. Producers will receive a deficiency payment of .86 cents per kilogram, for a total payment of $1.2 million.

About 300 carrot producers in Ontario, Quebec, and British Columbia supply the fresh and processed markets in Canada. A strong export trade also has been developed to supply Northeastern U.S. markets. A large crop, as well as rapidly rising input costs, have placed severe pressure on this growing industry, Agriculture Canada said. Deficiency payments for carrots are established at 1.65 cents per kilogram, for a total payout of $4.7 million.

The eastern Canada cabbage crop is grown by about 1,000 producers, mainly in Quebec. Production of cabbage has expanded rapidly and contributes significantly to import replacement. The competition from imports and the rising costs of production put financial pressure on producers in 1982. The deficiency payments for cabbage will be 1.41 cents per kilogram, for a total of $2 million, Agriculture Canada said.

Rutabaga producers experienced low prices in eastern Canada and Manitoba, even though prices in other western provinces were strong enough not to warrant a payment. About 700 producers in eastern Canada, with 400 in Quebec and 150 in Ontario, will receive a deficiency payment of .66 cents per kilogram. The total payout for rutabagas will be $800,000.

About 3,000 white bean producers, mainly in southwestern Ontario, faced depressed prices because of import pressure from the large U.S. crop, Agriculture Canada said. Large plantings of winter wheat were converted to other crops, including white beans, because of the very poor conditions for the winter wheat crop in early spring last year. The deficiency payment will be $275.16 per ton, for a total payout of $22 million.

Advance Payment for Crops Program Found Popular

OTTAWA—More Canadian farmers every year are taking advantage of Agriculture Canada's Advance Payments for Crops Program.

The program provides guaranteed, interest free loans to producer groups of all storable crops in Canada. Members of the producer groups receive an advance payment so they can store their crops instead of selling immediately after harvest when prices are low.

"About 20,000 farmers across the country benefitted from the program in the 1982-83 crop year," explained Bruce Riddell, a marketing officer with the department's Marketing and Economics Branch in Ottawa.

According to Riddell, 41 producer groups participated in the program in 1982-83 compared to 36 groups in 1981-82.

"Since the program was created in 1977, it has been growing steadily," Riddell said.

A total of 29,000 advances to producers have been made under the program for about $290 million. The federal government has paid interest charges on these advances totalling more than $18 million.

"The program helps producers extend their marketing season, ensuring better prices for themselves and more reliable supply of Canadian-grown foods for consumers throughout the year," Riddell said.

"This helps improve the orderly marketing of storable agricultural crops as well as reduce imports of storable crops."

The amount of the advance cannot exceed half the expected market price for the crop in that year.

"Any agreement with a producer group is for up to one year," Riddell said.

In 1983-84, agreements for storable crops have been signed with 83 producer groups. These agreements could allow producers to borrow up to $195.4 million.

According to Riddell, actual advances are expected to be about $130 million.

"Some producer groups do not take advantage of their agreements for various reasons, or do not borrow the maximum amount allowed in the agreement," Riddell said.

Agriculture Canada will spend about $8.5 million in interest assistance on these loans.

In Ontario, eight producer groups have signed agreements under the 1982-83 program worth $70 million to cover apples, tobacco, soybeans and corn. Manitoba follows with seven groups and $44 million in advance payments allowed.

Six other provinces have participated in the program this year: Quebec, eight groups for $37.5 million; British Columbia, four groups for $18.7 million; New Brunswick, three groups for $8.7 million; Alberta, four groups for $6.75 million; Prince Edward Island, three groups for $6.1 million; and Nova Scotia, three groups for $3.1 million.

The **Chairman**. Thank you very much, sir. Now, you are the vice president of the New York State Vegetable Growers?

Mr. **Westheimer**. That's correct.

The **Chairman**. And now Ms. Torrey has arrived, and she is the president?

Mr. **Westheimer**. Correct.

The **Chairman**. We'll be happy to hear from you at this time. I hope you agree with the statement that your vice president just read.

Ms. **Torrey**. Very much so.

STATEMENT OF MAUREEN TORREY, PRESIDENT, NEW YORK STATE VEGETABLE GROWERS ASSOCIATION

Ms. **Torrey**. Good afternoon Congressman de la Garza, House Agriculture Committee, and fellow agricultural associates.

I'm Maureen Torrey, part of a family vegetable farm of 3,000 acres in upstate New York, and also, president of the New York State Vegetable Growers Association.

Agriculture is very important to New York State, as it is our largest industry. Our New York vegetable industry ranks fifth in the Nation for vegetable production for both fresh market and processing vegetables.

As an eleventh generation farmer in the United States, I have, since a youngster, watched the wrath of weather, depressed prices, disease and insects destroy our crops, and others'. Yes, I left the farm for the outside world, but I'm back, because it's one of the most challenging and satifying occupations there is. However, there are some conditions and major problems that make it very frustrating.

One of our major concerns, currently, is imports, primarily Canadian, but also from other countries selling the same products we produce at a lower price. Over 5 years ago, a group of New York State vegetable and potato growers met because of the frustration of losing our eastern U.S. markets to Canada, because they were delivering cheaper vegetables to our markets. The eastern U.S. markets are very important, since over a third of the U.S. population is served by these markets.

Investigation found that Canada, especially the provinces of Ontario and Quebec, had developed a major strategy plan for their horticultural industry. Major Canadian Government subsidies, including grants for storage facilities, price supports of 90 percent of the average market price, land clearing, marketing and promotional aid, to name a few. They also have protection at their borders with either complete refusal of a commodity or a surtax on U.S.-grown produce.

Their growing conditions and commodities parallel those of the northeastern farmers. They are off and running, gaining more and more of our markets. A few statistics, between the years of 1978 and 1983, the imports of Canadian cabbage rose 644 percent; of potatoes, 309 percent; of carrots, 88 percent; of onions, 86 percent.

A news release by the Ontario Ministry of Agriculture and Food, on October 25, 1984, and I quote:

A long range plan to assist the industry to double export sales of agriculture and food products, primarily to the United States, was announced today by Agriculture and Food Minister, Dennis Timbrell. Our studies have shown that the major growth opportunity is in the United States, said Timbrell. In fact, our American exports from 1980 to last year increased some 37 percent, making the United States the fastest growing, as well as our largest market. The potential is there."

As a grower, this extremely scares me, because Canada in the last 10 years, has carried out its strategy very successfully. We not only have Canada looking at our markets, but Mexico, Holland, South American countries, because of our strong dollar.

In our vegetable industry, marketing and pricing is based on supply and demand. We have no price supports and don't want any. But we would like fair competition.

Today, not only are the vegetable growers scared of the imports, but the pork, egg, hay, lumber, fish, honey, fruit, wine, and mushroom producers, to name a few, are, also. Two weeks ago, a National Coalition for Fair Trade group was founded from all the groups, from several States, to encourage the Federal administration to modify its relatively passive stance toward unfair trade policies practiced by our foreign agricultural competitors.

In order for our family farms to survive, we need your assistance, to develop legislative proposals that will help counter unfair trade practices.

I have some additional comments that are written, but I would like to close by saying, thank you for the opportunity for us to express our thoughts here today, and in your help in keeping our American agriculture exciting, challenging and a profession of pride.

Thank you.

[The prepared statement of Ms. Torrey appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Mrs. TORREY. Thank you.

The CHAIRMAN. Mr. MacKinnon, Mr. Martin, Mr. Greenwood, Mrs. Joseph Ponzi.

Mrs. PONZI. May I request that my husband share my chair?

The CHAIRMAN. Yes, we'll be very happy to have his company. Mrs. Ponzi, why don't we begin with you?

STATEMENT OF CLAIRE L. PONZI, DAIRY FARMER, PHILADELPHIA, NY, ACCOMPANIED BY JOSEPH PONZI

Mrs. PONZI. My name is Claire Ponzi. This is my husband, Joseph. We operate a small family farm about 76 miles north of Syracuse. We have 28 milk cows.

We have a short prepared statement, and then we have a couple of questions that somebody might want to think about.

One, it is imperative that the Federal orders remain in place. Supply and demand would ruin the dairy industry.

Two, we feel that the Diversion Program that just concluded was a fiasco. It benefited only the larger farms, and the small farms, which could not join the program, were forced to pay for it. The reason we say this is, that the 50 cents per hundredweight was deducted from all farms. Therefore, the ones not on the program were in fact paying for or subsidizing the ones that were on the program. We, on the small family farm, were actually penalized for working. The more milk we produced, the more money was taken out of our paycheck. It cost us $1,151 in 1984. We could not join the Diversion Program. We have 28 cows.

With 28 cows, there was no way we could cut back the suggested 10 percent and still exist.

At the start of the Diversion Program, a base was established, being the average number of pounds produced in the previous 2 years. In the event of another surplus, we suggest that the original base be maintained, and the farms which overproduce be the ones penalized. Not just 50 cents a hundredweight, but as high as $2 per hundredweight, or even more. This could be done by the handlers reporting the amount of milk picked up each month, or even by the reports to the market administrator. This would encourage dairies to stay within the base.

The price of milk paid to the farmers should be at least $15 per hundredweight at the present time, in order for them to maintain a decent standard of living, and not to just exist. The costs of repairs, veterinarians, machinery, and all related items continues to rise, while our income continues to fall. It is impossible to exist on a negative cost basis.

We believe that the CCC does not have to purchase and store such large amounts of butter and powdered milk. There are thousands of people in this country at and below poverty level who would be happy to have much of these items. It was reported in this area that some of the butter given out was rancid. This alone says that it had been in storage too long.

The dairy farmers in the Northeast region are not responsible for surpluses, and we should never have been penalized. In our own case, on the one hand, the Government said not to produce as much milk, and on the other hand, our handler said it would take as much milk as we could produce. We have operated at an increasing loss in each of the last 2 years.

My last point, quality control of all imports of dairy products should be strengthened. It should be as severe as the regulations on the farms of America.

Also, we are very concerned over the new hormone which has been developed to increase production. If our production is already too high, the use of this hormone would prove fatal to the industry.

Now, I've got a couple of odd questions.

Why are farmers penalized for working? It seems that the Government programs which are set up go around by the back door, such as idle the land, get paid for it. Don't produce, get paid for it. These are negative programs. We're trying to find positive ones.

If the Government insists that the dairy industry is producing too much milk, then why is over 1 million pounds of Canadian milk spilled over the border in the Northeast in just the last year?

In the May 10, 1985, issue of the Hoard's Dairyman, there's a paragraph in the first couple of pages, that states that California's milk production increased 6 percent in March, overproduction in March 1 year ago.

Why?

That's all I have. Thank you.

The Chairman. Thank you very much.

Mr. Greenwood.

STATEMENT OF JON GREENWOOD, DAIRY FARMER, ST. LAWRENCE COUNTY, NY

Mr. **Greenwood**. My name is Jon Greenwood. I'm a dairy farmer from St. Lawrence County. I'm here because I believe the actions taken by the Government on the 1985 farm bill will have a great effect on the future of the dairy industry herein the Northeast.

There are several major factors which I think the dairy portion of the farm bill should address. First, we must maintain the current Federal milk marketing order system.

Second, we must maintain the support price program, with a trigger mechanism based on CCC purchases, to allow prices to rise and fall according to supply and demand. This should be done based on a fixed formula to take the politics out of it. Prices should be allowed to rise and fall gradually. Some extremes need to be avoided.

If such a plan were to be implemented, it would send clear signals to the dairy farmers, and allow them to make plans accordingly. We must avoid the rapid changes and uncertainties of the past 4 years. Farming is a business, and we need to be able to plan ahead. This is impossible if the policy changes from year to year.

I am strongly opposed to any attempt at supply management controls. Such programs only increase inefficiency on the farm, with the consumer footing a higher bill. I believe we must continue our promotion efforts and, in fact, expand them.

Another subject is the Farmers Home Administration. On the one hand, the Government is saying cut back production; on the other hand, they are pouring in more and more money. We talk about unfair competition from other countries because of subsidies given to their farmers. To me, it is the same situation with FmHA.

How can I compete with somebody being subsidized by the Federal Government. I think there is a place for FmHA, but that the structure needs to be changed. I believe that after a set number of years, the borrower must graduate to other lending institutions. There is no easy way to solve the current situation.

No matter what course is taken, some farmers will go out of business. When I started farming, I asked for no guarantees; I ask for no guarantees now. I strongly urge you to support a bill which provides opportunities and not dead ends. I believe that the current CCC program with a trigger-type mechanism, will provide a long and stable future for the majority of dairy farmers here in the Northeast.

I thank you for the opportunity.

The **Chairman**. Thank you very much, sir. Mr. Martin.

STATEMENT OF DONALD MARTIN, PRESIDENT, DELAWARE COUNTY FARM BUREAU

Mr. **Martin**. I am Don Martin from Delaware County, NY. I serve as president of Delaware County Farm Bureau, and it is in this capacity that these remarks will be made.

I will speak in regard to dairy. I will comment briefly about some ideas we have heard that we consider dangerous, and attempt to

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outline a plan which we feel would be more beneficial to the industry.

Cycles. We have always had cycles in the dairy industry, and we always will. These things work themselves out. That idea may have been true in the past; but we believe that the course followed by the dairy industry parallels that of a canoe trip down a river. Periods of smooth sailing followed by rough water, followed by smooth sailing, followed by perhaps a waterfall. We believe that, at this time, we are in the grip of such a flow. Speed of action is important, but making the right adjustment is even more important.

We believe a system can be devised to avoid the falls, and to alleviate disastrous cycles.

Free markets. The phrase, of course, should refer to a market that operates according to the principles of economics, without outside interference. The problem is, to some, free markets means a market that can be served with no expense, no commitment, and no obligation.

Support price. We hear a high support price is a factor on which some surplus was built. There's plenty of evidence around to show that this is not the case. Surplus can be supported only by positive net income. A market that comes for free is a large contributor to net income. It is also a large distractor from commercial markets, which do not and should not come for free.

We can see some real dangerous situations arising from the fact that, in some quarters, far too much importance is given to the ideas that the support price is the culprit in our surplus dilemma. And minute adjustments in the support price will result in the construction of an economic ratchet wrench which will distort the distribution of producers, shrink our markets, and make us more vulnerable to imitations and imports.

It can shrink the surplus, but in the process, we will go over the falls. Support price has been described as a floor below which prices cannot fall, and which must be paid by law. It is our contention that, in the absence of any reliable mechanism to move the price of support, the support price is, in actuality, a target price. It makes product value unresponsive to demand. We believe the most practical path to salvation lies with correcting the deficiency in the system we now have.

The biggest adjustment must be made in our thinking. The Government must offer to buy milk at a price above the market cost in areas of highest cost. The industry itself would determine the cost of serving this market. And that money would become Government property.

In this manner, we will have accomplished two things: We would have provided a positive mover for a price; and we would have made the Government able to procure its dairy products at the least net cost. If the Government was to set the prices described above, issue certificates for what it wished to buy, and sell them at auction, to anyone, the benefits to the industry would be enormous.

Price set by Government would not have an undue effect on commercial market prices. Adjustments to commercial market values would come through certificate costs. Only surplus production would be eliminated. And interest in commercial markets would grow.

I'm submitting, with these remarks, a more detailed description of one possibility of handling our surplus production.

I would like to thank the committee for providing this opportunity to allow me to speak on the behalf of Delaware County Farm Bureau.

The CHAIRMAN. Thank you very much, sir. Mr. MacKinnon.

STATEMENT OF ALEXANDER MacKINNON, DAIRY FARMER, GOUVERNEUR, NY

Mr. MACKINNON. I'm a dairy farmer from Gouverneur, NY, which is located in St. Lawrence County. On our 400 acre dairy farm, we maintain 160 head of Holstein dairy cows, and milk approximately 73.

I would first like to call your attention to the graphs located on page 3 of my testimony. The first graph, labeled "Blend Price" shows the blend price of milk paid in our area. The price actually paid to us is adjusted downward to compensate for the mileage between our farm and the plant buying our milk.

This graph covers all of 1983, 1984, and January and February 1985. Please note that the price paid in October of 1984 exceeded the blend price of October 1983. And this trend has continued to date, with last month being the first exception.

The second graph, labeled "Production" shows milk produced in New York State for all of 1983 and 1984. The source of this information is the New York Crop Reporting Service Report from March 1985. Please note that production in April 1984, was less than that of April 1983, and that this trend has continued to date with last month being the first exception.

Now, how does all of this effect the difficult task ahead for Congress in trying to piece together the dairy portion of the 1985 farm bill?

First, milk production in New York State was down from a year earlier more than would be expected from the Diversion Program. The Diversion Program was responsible for less than half of the total 1984 New York production drop. This means that farmers are responding to the need to reduce supplies, even though the milk-to-grain ratio is favorable to the producer. And this condition generally means higher milk production.

Second, the price of milk is responding to shorter supplies by increasing to above 1983 levels. And this trend has continued into the first 2 months of 1985. This has happened even though the support price was reduced during the period by 50 cents.

Keeping this in mind, it would seem to me that the best plan for Congress to implement, would be to gradually lower the support price in 50-cent increments, but no more than once annually.

With a strong market in the New York area, adequate to short supplies, and no dependence on Government purchases, support price reductions will be buffered by strong market conditions. This should increase class I utilization and have a minimal influence on blend prices.

It would also seem that a gradual reduction in support prices would discourage people from attempting to get into the business, and encourage those who are marginally profitable or losing money, to get out. This would help, over several years, to ease supplies without unduly hurting dairymen who are strong managers and maintain sound operations.

It is unlikely that dairy farmers from around the country will be able to agree on any one plan for surplus reduction. In the final analysis, Congress must decide.

I would hope that the plan adopted would have a gradual reduction in the support prices, which would be of lesser impact on dairymen in these areas with strong markets and a greater impact on those relying on Government purchases. While this may seem unfair, and, perhaps, politically unpleasant, there is no nice way of encouraging fewer farmers and less cows.

We must also remember that the consumer will also be effected by what you decide. If the greater New York-New Jersey metropolitan area cannot get adequate supplies of milk, the price in the store is bound to increase.

In February, the Market Administrator for the Federal Marketing Order II—which is New York and New Jersey—had to implement the "Milk Call" provision for the first time in the Order's history, because the New York City dealers could not obtain enough fluid milk to meet the demand. The Milk Call provision of the Marketing Order mandates that all New York State processors send a percentage of their milk to the New York City fluid market. Upstate milk producers were reluctant to transfer milk away from their manufactured products because of good markets and tight supplies.

In conclusion, I would urge Congress to adopt a plan that would:

First, gradually reduce the support price;

Second, maintain the strong Federal Marketing Order system presently utilized.

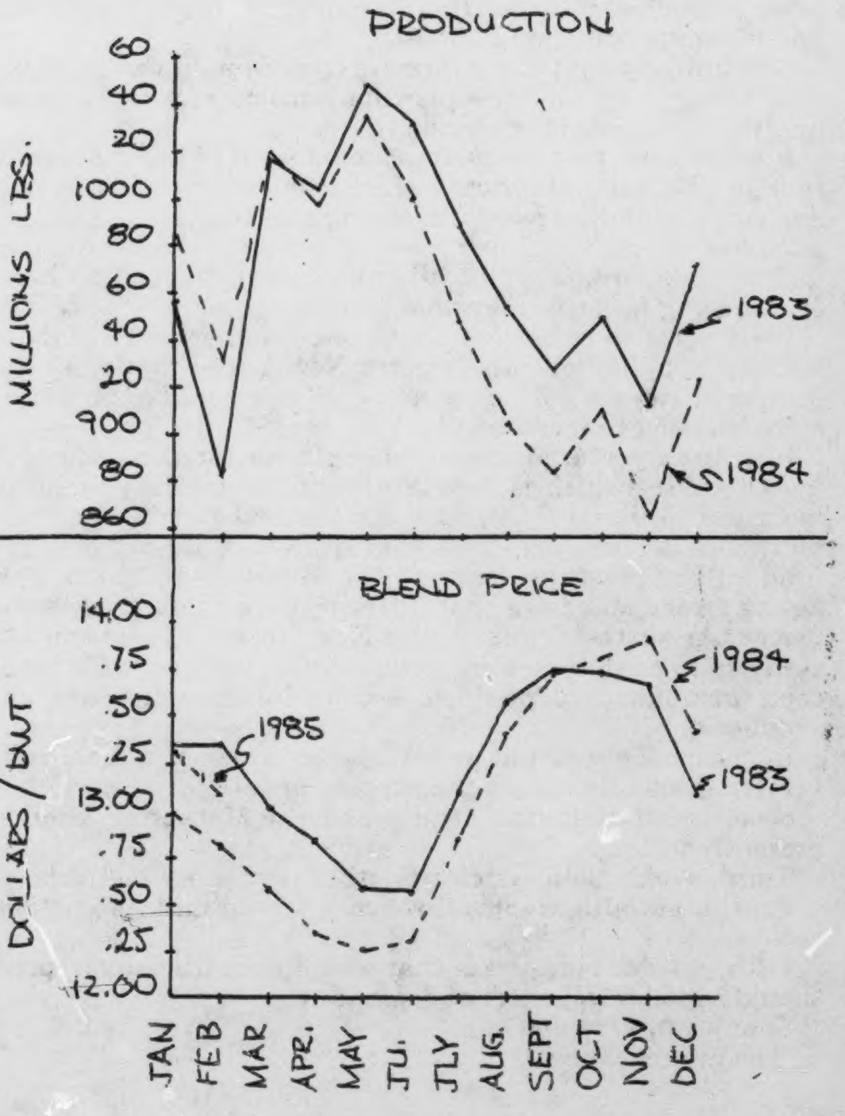
Third, avoid quota systems or other regulatory methods.

Fourth, encourage sales through a strong milk promotion activities.

Fifth, provide safeguards that would encourage more production, should supplies fall short of demand.

Thank you very much.

[The graphs follow:]


PRODUCTION
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BLEND PRICE
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FEB
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The CHAIRMAN. Thank you, sir. We appreciate all of you being here.

The next panel will be comprised of Eleanor Pupko, Stephen Marcellus, Dale Sweetland, and Douglas Young.

Ms. Pupko.

STATEMENT OF ELEANOR PUPKO, DAIRY FARMER, BOONVILLE, NY

Ms. PUPKO. I'm a dairy farmer from Oneida County, and I've come to testify because I'm concerned about the deterioration of the quality of life in rural America. When we moved to the family farm over 20 years ago, there were 12 farms between us and Boonville.

Today there are only two. Is this progress? Many, including the USDA, the land grant colleges, industry specialists, would have us believe it's so. Increased productivity, while making some labor expendable, they argue, benefits society as a whole.

But a look at the village of Boonville tells a very different story. When we moved there, the population supported five grocery stores, numerous hardware stores, a bookstore, a theater, and several implement dealers. Many of these buildings stand empty today.

More significantly, few stores opening in the last 4 years have survived over a year. Why? Because for every five or six farms that go out of business one store in town closes forever. What happened to the family which would have inherited or bought 1 of the 10 farms that were taken out of production? The assumption is that they have found another niche in society, but is this true?

In 1950 the average family spent 25 cents out of every dollar on food and 25 cents on taxes for a total of 50 cents. By 1980 the consumer was spending a mere 16 cents on food, but the tax share had risen to 45 cents, raising the total to 61 cents.

Why is this additional 11 cents in the total outlay needed? Because it is more costly to have the Government administer a series of programs to provide the basic care for an individual than for that person to be self-supporting. The American farmer supports the largest industrial complex in the country—the farm supply, food production, and distribution system. Our policymakers have ignored the needs of the largest industry in the Nation. Agriculture is portrayed as a detriment to the country and a drain on its resources. What share of that 45 cents is the price of our cheap food policy?

We need to address the fundamental question of who will control agriculture at the turn of the century. Where will the food consumed in this Nation be produced? There can be no democracy in a country whose people do not own the land and control the production of food. It is in the best interest of this Nation to retain the family farm system which has produced and placed ample food on our tables three times a day at a small fraction of our disposable income.

It is perhaps no accident that the term "economic prosperity" contains the key to economic stability; namely, parity. Parity means a balance in the buying power of the various sectors of our economy. In other words, no one section profits at the expense of the others. As long as major inequalities exist, a good deal of public energy is expended in trying to artifically prop up those institutions hardest hit by the imbalance.

Wouldn't it be easier and cheaper to correct the problem rather than to attempt to treat the symptoms? What, then, is causing the disintegration of our rural family farm structure? We have been offered various solutions, but they all fail to directly remedy the major issue facing agriculture today, price.

Farmers are going broke because they are not being paid cost of production. And when the largest industry in the Nation is in a depression there can be no true and sustained prosperity. What can Government do? The Preamble to the U.S. Constitution states that it was set up to establish justice * * * promote the general welfare, and to secure the blessings of liberty to ourselves and our posterity.

When a particular group of individuals has not been treated fairly, the Government has set the precedent of stepping in and establishing minimum guidelines as law to redress that wrong.

There are many positive actions which can be taken at both the State and Federal level to reverse the cumulative effects of the deliberate lowering of farm prices through Government action. I would like to list some to refute the prevalent assumption that family farms can't be saved.

I'm not advocating any particular solution here today. We first need to establish the basic problem, price. I would be willing to compromise on the methods used to achieve a price. One, we need to make a long-term commitment to a healthy agriculture. One acre of productive land is worth more than 1,000 guns. One acre of wheat contributes more to the well-being and strength of this Nation than a missile.

Our agricultural economic power base is the envy of the world. Let us not stand by idly as it is being dismantled.

Two, increase the support price. As the price of farm commodities drops, farmers are forced to produce more to meet basic cashflow needs. Why is it so difficult to see that an increase in the support price would reverse the trend? CCC purchases did not get out of hand until the price of milk relative to expenses slipped drastically under the present administration.

However, if only the price of milk increases and grain, for example, remains at a depressed level, then it is true that agriculture will shift resources into dairy production.

This is why it's critical that we do not promote regionalism in any form or favor one commodity over another. I encourage you to keep this in mind as legislation is being drafted.

Three, stop imports. The 2 billion pounds of quota cheese imported last year is the difference between cutting and not cutting the support price by 50 cents as the law is worded. I do not oppose trade, but we can no longer afford the administration's use of imports as a tool to undercut our domestic economy.

Four, raising the buy back on products stored by the CCC would be a simple matter to discourage dumping into the program or its use as a marketing strategy when it was designed as a market of last resort. Yet, the administration refuses to consider the option.

Five, control of cow numbers would be a much cheaper method of reducing milk. This could be achieved through a culling incentive which would cost the Government much less than most of the proposed programs.

Six, tax reform. As long as agriculture is a tax shelter, farmers will not be able to compete against outside investors and the land will be concentrated into large corporate holdings. At today's commodity price levels, farmers can no longer afford to pay for their land.

Seven, supply management. In a country with 20 million hungry people, production control should not be an issue. However, simple steps could be taken to initiate real control such as using bushels and not acres for set-aside programs if they're needed.

Finally, a measure can be introduced which would accord the same rights and protection as the established minimum—of the minimum wage. This minimum price legislation for agriculture makes it illegal to buy or sell at below a certain level of parity, thereby extending a base price for agricultural production of milk.

Just as a minimum hourly wage does not guarantee a worker he will become rich or even protect him from bankruptcy, this minimum price legislation would not guarantee a profit to poor management.

It is ironic that the Reagan administration, which spouts so much rhetoric about self-reliance and recovering costs from the marketplace, would propose a dairy program which sets the price of milk so low that it would actually require sending a relief check to this Nation's dairy producers.

We do not want this so-called help. What we are asking for is the reversal of the Government's guaranteed low commodity prices policy.

Benjamin Franklin once said:

> There are three ways a Nation can become wealthy. It can make war and take the wealth of another by force. It can trade freely and make a profit by cheating. Or it can profit through agriculture, whereby planting a seed we create new wealth as if by a miracle.

Agriculture is the key to this Nation's economy. A prosperous nation is built upon a healthy agriculture. We have a unique combination of resources which has been our strength. Let's not abandon the other component of our agricultural success story, the resource which has been the driving force behind our rise to a world power—the family farm unit.

Thank you.

[The prepared statement of Ms. Pupko appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Mr. Marcellus.

STATEMENT OF DEAN MARCELLUS, DAIRY FARMER, MADISON COUNTY, NY

Mr. MARCELLUS. Mr. de la Garza, Mr. Wortley, I want to thank you very much for being here. It's my pleasure to be here in front of you.

My name is Dean Marcellus. I am a dairy farmer from Madison County, where I milk 120 cows and crop about 375 acres. I have three sons, ages 10, 8, and 3, and farm next to my father and brother with another 200 acres and 55 cows.

None of us are getting a decent return for our experience and work in the agriculture field. I feel the 1985 farm bill as it pertains to dairy must retain the price support system. This will maintain as much stability in dairy farming as possible.

We as dairy farmers must have this to deal with our creditors. The creditors must treat us as businesses. We must have enough profit to keep our creditors paid and maintain a living for our families.

I feel that the price support system should be on a sliding scale and correspond to the level of CCC purchases. I don't feel we can let surplus dairy products grow. I feel that a reserve is definitely necessary and helps keep the price to the consumers down and prevent shortages.

I don't care if the final bill is the Farm Bureau bill, because certainly one with its concepts in general is along my line of thinking. I also hope that Democrats and Republicans can get together with the common goals of the American farmer and agriculture-related businesses' best interests.

They will be in the long run the best interests of the country. I also feel we have been reducing our surplus buildup and are on our way to reducing the Government expenditures. Time and responsible controls will bring the CCC expenditures in line.

Exporting markets, not destroying surplus, is the right direction to go. Creating new markets in low-income countries by helping low-income countries expand their economy and improve their income is in my line of thinking.

Life on the farm is tough, and I feel that all farmers are being treated or should be treated better. They bear the brunt of some of the Government decisions on foreign policy and monetary policy that they were not considered in at all.

It is difficult to change the entire direction of these farms when the changes of Government decisions are made. I would hate to see a change in policies of agriculture that could cause shortages of food for American people in the future.

Thank you for coming. The last thing I have to say is, in dealing with Congressman Wortley, I've found after he weighs all the material, he honestly does what he really believes, and as long as you do that, we can't quarrel with it.

And I hope that will be the way it will work out.

Thank you very much.

The CHAIRMAN. Thank you, sir.

Mr. Sweetland.

STATEMENT OF DALE SWEETLAND, DAIRY FARMER, FABIUS, NY

Mr. SWEETLAND. Thank you. It's a pleasure to be here and I'm grateful for the opportunity to speak to you today. I'm a 36-year-old dairy farmer in business with my father approximately 20 miles south of Syracuse. We have 110 milking cows, about 90 head of young stock, and all the crops we grow are used to feed our own livestock.

I will not spend a great deal of your time talking about specific areas of farm bill legislation, since I'm sure that many experts have already done so today. I will, however, briefly point out my feelings about dairy legislation.

It is my opinion that the support price system operated effectively for many years, and should continue. The price should, however, be tied to a supply-demand adjuster. I will not sit quietly by during discussions which consider production quotas.

I believe in the free enterprise system and feel that quotas remove individual incentive from normal business activities. I also will not sit by quietly during discussions on any kind of program which forces one farmer to pay another farmer not to produce.

If I cannot produce as efficiently as my neighbors, I should not be in business. I wonder what would happen if Government told General Motors that it had to pay Ford to reduce Ford's production.

Before beginning discussions on specific areas of the farm bill, each of you must arrive at decisions on generalities concerning the future of agriculture in America. Three questions come to mind.

One, how important is agriculture going to be in terms of supplying food to our citizens and economic growth to our country?

Two, how important is American agriculture going to be in supplying food to the world, a world which obviously cannot feed itself?

And three, how effectively can American agricultural commodities be used as a foreign policy tool?

The first question is the basic one. People in America should not be hungry considering the productive capabilities of agriculture today and in the future. Since we are at this point capable of substantially outproducing the domestic market, we can probably afford to lose a number of our farmers and not affect the domestic supply of food or consumer prices.

Agriculture is and will continue to be vital to the economy of this country; 20 percent of all jobs are related to agriculture. Farmers are not in their present position because many of them overextended themselves during the wave of inflation, but rather because of the staggering losses of export markets.

If those markets were regained, profitability could be returned to the farm and those moneys could contribute immensely to the economy of our Nation. The reason farmers have felt the credit crunch is that Government has not sent any signals to the banking industry that Government is even inclined to help regain some of that world market.

The second question is a simple one. This country's benevolent and humanitarian nature dictates that we cannot sit idly by while people starve. There are in my opinion two basic reasons why people go to war, greed or hunger.

It would seem to me that food used properly could be as important a foreign policy weapon as arms. If agricultural commodity expenditures could replace arms in the Federal budget, the world would be better served.

There are four brief points to be made concerning the agricultural policy system, and that's in quotations, as we know it today. First, a farm bill is enacted every 4 years. Unless a long-range plan for agriculture is developed, one which addresses my previous statements, businessmen cannot make business decisions based on 4 short years of projections.

There must be continuity from one farm bill to the next. Second, the criteria used in compiling statistics on agriculture is practically useless. The criteria which states that a farm is any place with 10 or more acres or gross agricultural sales in excess of $10,000 per year is useless and outdated when considering the future of commercial agriculture.

Third, politics and not Government should be removed from agriculture. Farm programs in recent years have been subject to radical change because of different views on the direction of agriculture. Again, continuity is vital to farmers' profitability.

Finally, all farm programs in place today have a valid purpose. They have, however, blossomed into tremendous expenses for taxpayers due to mismanagement and abuse by politicans, bankers, and farmers alike. Virtually, all of these progams could be cut back by better management.

Government should also decide whether or not it wishes to be the Nation's lender. In my opinion, it should not. In conclusion, I would urge that in your discussions you refer to farming as a business and not just a way of life.

People farming today must be businessmen in order to survive. Thank you very much.

The **Chairman**. Thank you, sir.

Are you related to Albert Sweetland who testified earlier?

Mr. **Sweetland**. Somewhere along the line, yes, sir.

The **Chairman**. Mr. Young, we'll be happy to hear from you at this time.

STATEMENT OF DOUGLAS YOUNG, CHAIRMAN, NEW YORK YOUNG FARMER AND RANCHER STATE COMMITTEE, FARM BUREAU

Mr. **Young**. Thank you, Mr. Chairman. Thank you, Congressman Wortley.

I'm a 29-year-old dairy farmer. I'm a partner in the family business with my father and brother. We milk 250 cows. I'm married and have a young son. The comments I have prepared reflect my own personal views and, more importantly, the views of the farm bureau. I will concentrate my thoughts in the area of dairy policy.

The agricultural industry must maintain as its goal the will to produce a quality product at the least possible cost. The best interest of the American consumer must be served or the consumer will seek alternatives. We as producers, processors, and public officials have to keep this point in mind as we develop long-term agricultural policy.

It is impossible to ignore the market signals in the long run. Therefore, it is far better to adjust to those signals in the short run rather than the long run. When an industry expands on the basis of an artificially high price, it requires a substantial decline in price to squeeze the industry back to its appropriate production capability. This is the situation we must avoid in the future.

I firmly believe that the average farmer will be better off and the consumer will be better off in the long run if the prices are allowed to respond quickly to market signals. If such a flexible market-responsive dairy pricing system had been in place in the late 1970's, we wouldn't be going through the major readjustment that is taking place now.

I'm pleased that most dairy groups have agreed that the price of milk has to be more responsive to market conditions. I enthusiastically endorse the dairy section of the Farm Bureau farm bill, and I'm pleased that Congressman Wortley has endorsed that bill.

I feel that it deals with the problems and realities of the dairy industry very effectively. If enacted, it will lay a flexible framework on which the dairy farmers in this Nation can:

One, make business decisions based on a clear long-term pricing structure. We will know that the price will be determined by supply and demand and not on the ideology of the policymakers who happen to be in office. It is too easy for policymakers to fall into the trap of raising farm prices to help the farmers without consideration of the market signals.

As we are seeing with the current dairy situation, raising the prices artificially does much more harm than good in the long run.

Two, operate in a competitive environment which encourages rapid acceptance of new technology and efficient production which benefits the consumers and strengthens the competitive position of the industry. Through this process the producers are ensured a continued market for their products.

I hope you will incorporate the ideas of this farm bureau bill. It is a proposal based on years of debate and compromise by thoughtful farmers. The process involves grass-roots participation and democratic decisionmaking. I have witnessed and participated in the farm bureau policy process and have become convinced that the resulting policies truly represent the combined wisdom of the producers.

AGRICULTURAL CREDIT

Another area that I want to address is the Farmers Home Administration's lending practices. The FmHA does have a necessary and desirable purpose, to provide opportunities to people who want to become farmers. Disaster loans are also appropriate in certain circumstances.

Unfortunately, the FmHA has strayed from its original intent. There are some problems which have implications on all of us and which need to be addressed very soon.

I wholeheartedly believe and farm bureau states that:

One, we are concerned by the possible unwise use of FmHA's present services and loans. Loans once made should subject to periodical review to meet the test of commercial lending institutions.

Two, we recommend that anyone who is unable to build enough equity to get financing from other institutions after 10 years should not continue to be financed by the FmHA.

Three, we oppose any moratorium on FmHA loan foreclosures.

It's clear that many times FmHA lends money to farmers who have virtually no potential to repay the loans. I argue that lending money to someone who is very unlikely to survive doesn't do anyone any good. The farmer involved is hurt by it. The industry is hurt by it.

And the taxpayers are hurt by it. In the area of Government spending, agriculture would benefit if the necessary cuts would be made in Government spending. Agriculture is certainly cutting back. As you're all well aware, reducing the deficit would reduce interest rates, and dropping interest rates would do more to improve farm profit than the farm programs could ever do.

I hope Congress will take a close look at the recommendations by the Grace Commission and other groups to aid you in cutting the cost of Government. Now, with regard to the problem of subsidized exports from foreign countries, I have included a possible solution to the problem in my written statement. I invite you to consider the idea to see if it has any merit.

Thank you for your kind attention.

[The prepared statement of Mr. Young appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you. We thank all of you for your contributions.

We have next Del Crowe, Kathy Merrell, John Hamilton, Henry vanLieshout and Steve Reed.

Mrs. Merrell, we'll commence with you.

STATEMENT OF KATHY MERRELL, DAIRY FARMER, SAUQUOIT, NY

Mrs. MERRELL. Hello. My name is Kathy Merrell, and I'm a dairy farmer from Sauquoit, NY. My husband and I farm a total of 375 acres and have 140 head of dairy animals, consisting of 85 cows and 55 head of youngstock.

My main concern is the dwindling net income farmers receive. A future drop in the support price will drown dairy farmers in their own milk. We have a serious drop in our cash flow since 1981, when we took over the farm from my in-laws.

The law of supply and demand does not work in dairy, because of too many outside influences, imports for one. Why do we need imports if there's such a surplus of agricultural products? The first 2 months of this year cheese quota imports are 5 million pounds greater than 1 year ago, or a 19-percent increase.

Pork imports from Canada, both fresh and frozen, are costing U.S. producers $1 billion a year. The dropping beef price is also hurting the dairyman, who depends on the income from his cull cows and bob calves to supplement his income from dairy, to buy replacements or to put back into his business.

The increased value of the American dollar is making the competing nations rich through their imports, while hurting the American farmer.

In 1984, 6.2 billion pounds of casein was imported. That year, the CCC purchased 8 billion pounds of dairy surplus. In effect, the United States imported its 1984 surplus. The reporting factor for the CCC should also be changed. This should show the actual pounds of product purchased and not use the milk equivalent basis.

An example: 1,000 pounds of milk equivalent is made into 100 pounds of cheese. The 1,000 pounds of milk equivalent is reported by the USDA, not the 100 pounds of cheese actually stored.

A system such as this is sure to distort the actual amount of dairy products in storage by the CCC, and will affect the support price with future drops as quantities purchased by the CCC will determine future drops in price. The CCC should increase their buy-back price.

This would discourage co-ops from using CCC warehouses for cheap storage. The Government says it costs $17 to store these products. Farmers are only receiving $12.60 now, with more drops predicted in the future. It costs close to $13 to even produce 100 pounds of milk.

Farming is the only business that does not get to pass on increased cost of production to the consumer. The price of the farmer's product has decreased steadily since 1980, yet I have not seen a decrease in the consumer price. People tend to forget that a farmer is a consumer also.

Production controls is another thing that I would rather see than a drop in the support price. This could be done by having an independent structure analyze production needs and enforce them. I would rather have a quota system like Canada's, and make the cost of production and a reasonable profit, than watch my business and life go down the drain because Washingon and Farm Bureau says there's too many farmers.

Incorporating tougher tax laws to discourage investment farmers from getting into business would also cut back on milk production. I would like to see a person receive 70 percent of his income from his farm before getting tax breaks. This would also discourage people from getting into agriculture for a get-rich-quick scam, when the cycle turns itself around and the farmer is back on solid ground financially.

I feel that if a farmer received a fair price for his product, many of them would sell off the extra animals needed now just to make ends meet. Sure, there are a few greedy people out there who'd get bigger, but the majority would only make the amount of milk needed to cover production and family living.

Minimum price legislation is something else that should be considered, if price supports are to be done away with. This would at least assure the farmer received compensation for his efforts in making this product. Unity between farmers and farm groups is needed now more than ever.

The Northeast, though not as critical as the Midwest, is rapidly deteriorating to this situation. Farmers are hesitant to show their concern publicly for fear of losing their pride and dignity. Showing concern about this situation makes them face the reality it could happen to them.

I feel the best way Washington could hear how a farmer feels is send questionnaires directly to them. It would give farmers a chance to express themselves. If they were too apathetic to reply, they would have no one to blame but themselves.

They would not be letting co-op leaders and other paid staff voice their concerns. They're receiving a salary and are not feeling the crunch as seriously as the farmer who derives 100 percent of his living on the farm.

Financial help is another area I'd like to touch on lightly, due to the time element. Financial lenders should support the farmer and not add to the stress of uncertainty in this time of agricultural upheaval.

There has to be some kind of continuity between lenders to assure the farmer money for necessary and unexpected expenses. Low-interest loans are not the answer. They help. A price that reflects the cost of production and a reasonable profit is what is needed.

The family farmers that are left are diehards. It is all farmers in this country. Some dairy farmers like myself have been scratching longer than others to make ends meet. Some have scratched to the point where it is raw and bleeding. The simple Band-Aid that Mr. Reagan, Block, and Stockman want to put on this serious wound won't stop the infection and causing the death of the family farm as we know it.

I would like to sum up with this poem, "The Family Farm Fight:"

Farmers are here today,
  Listen to what they have to say.
They are telling America of their plight,
  And the Washington fight.
On our land
  We'll take a stand
To save our way of life
  That's getting the knife.
Today farmers are showing a reaction
  To the Washington action.
Their solution is cut, cut, cut,
  Which is a kick in the butt,
The cheap food policy is nice,
  But who pays the price?
The American farmer,
  Not a nuclear disarmer.
In 1980 we were promised a raise,
  That somehow got lost in the Government haze.
Our net income is falling,
  And Washington is stonewalling.
What we have to say,
  Is give us a decent rate of pay.
All this country and more we feed,
  The American farmer met the need.
Washington's answer is more loans,
  To which the farmer only groans.
What he'd like to see,
  Is more money for you and me.
Block says no price supports,
  But will not stop the imports.
Sales to the CCC
  Hurt you and me.

Farmers aren't asking for charity,
But wouldn't mind 100 percent parity.
That would be a rarity.
We'll settle for 80 percent parity.
Farmers are a part of the land,
And together must band
And take our stand
To protect our land.
So stand proud,
Speak loud.
Tell the Washington crowd
Loud, loud, loud.

Thank you.

[The attachment follows:]

This testimony was given in
Syacuse at the hearings
on Save the Family Farm
March 22, 1985

Peter Merrell
2414 Mohawk St.
Sauquoit, N.Y.
13456

My name is Peter Merrell and I am a dairy farmer from Sauquoit. This will be my sixteenth year in farming. I would like to address some issues that effect New York State farmers today.

My main concern is the dwindling net income farmers are receiving. This has been brought about by the "lack of" or "too much" involvement of the federal government in agriculture. Now, they want to jump ship and forget agriculture.

I farmed with my father in Pittsfield, Mass., before moving to the Sauquoit farm in 1974. We were forced out of our rented Pittsfield farm, because the city was closing in around us, making crop land harder to rent close to home and non-farm neighbors, who lacked understanding toward farm noises and smells. A developement of $100,000 homes had started being built less than a mile from the farm, on one time what had been farmland. The 248 acre Sauquoit farm, with less than 100 acres rented additional crop land was large enough to support two families at the time. We were also hoping to make it a family partnership, planning that my younger teenage brother would also join the business.

In 1981, my father was forced out of farming, for health reasons. My wife and I leased the farm, and were purchasing the cattle and equiptment. January 1982, my parents decided to sell the farm at a very reasonable price. All our financial lenders, PCA, FMHA, and Federal Land Bank, thought we were making a sound business dicision. The year of 1983, showed a decreasing cash flow, because of no price support increase, and begining of the 50¢ milk tax. Even though milk production and cow numbers remained constant. The 50¢ tax takes away from our cash flow an average of $450. a month or $5,400. a year. Spring 1984, we needed our annual spring expense money of $8000, to plant corn for silage, rent hayground, added fuel expense, and repair equiptment, that may breakdown during this busy time of year. We were told "NO", by the PCA lender, and were advised to "SELL OUT". We did not take one man's opinion. We consulted another farm lender, he felt we weren't THAT bad off, because we had just started in the business and hadn't had time to build up equity. We would never be able to recover our investment, due to the drop in land, cattle, and equiptment. He suggested that we cut our budget, and return to PCA, with a more optimstic budget. We did, and were told "YES, you can have the money, if you agree to sign a note, saying you'll sell the farm within a year." We didn't agree to it. FMHA was our last hope. We filled out the papers in April, had a farm visit by their representative in May, were told in June. we qualified, but it wasn't until July when we received any money. Our spring expense bills by this time were 60-90 days overdue. This past winter we were visited by the same PCA man, who said, "he admired our perserverence." Yes, borrowing from FMHA helped. It wasn't a cheap answer to our problem, it raised our payment $840 a month, as operating money has to be paid back in a year.

We've heard it is the inefficient farmers and poor managers, who are going out of business. Frankly, I believe all the inefficient farmers and poor managers are GONE. This fact is made more apparent after reading farm auction notices, in "COUNTRY FOLKS", a farm paper. There are second and third generation farms, with herd averages of 18,000 plus going out. You stop and ask yourself WHY? In their opinion it is high costs and low farm prices that drove them out. Pride alone, and love of the land is no longer the key to keep people on the farm, especially the next generation. We need higher prices. Being young, I have no choice, but to be efficient. To me that doesn't mean putting on more cows, or ineffectively managing them with feed cutbacks or improper care to save. I'd really lose because I need production to cover costs. I manage my crops the same way, efficiently. The only corn that is grown is for animal feed, corn silage. I don't want to work longer hours, but if farm prices keep dropping, I'll have no choice, but get BIGGER. What I'd rather do is cutback and still make a good living for my family and spend time with them, which isn't always possible now.

In other businesses, like Niagara Mohawk, who pays for their mistakes, and increased production costs, THEIR CUSTOMERS. How much more power does a farm use than the average home? When a rate increase takes place, believe me, I feel it plenty. My average electric bill runs $800, every two months. This goes for other businesses we deal with, as costs of their overhead goes up, their rates raise to us. This includes your vet, equiptment dealer, fuel company, feed store, and even the local grocery store.

One of the subjects you wanted covered, was how to get young people involved in farming. My answer is make it appealing, by giving them the opportunity to earn a decent living. My younger brother didn't stay with farming, because he didn't see much of a future in long hours, low pay, and the uncertainty of the farm family in agriculture. In fact, the only two of my three siblings, who are making a good living are my two brothers in the military. After 20 years, they can retire young men, and still make a career for themselves, falling back on their military training. A strong defense is inpertant for our national security. The need for a strong agricultural base is more important, as it was the foundation of this country. Remember it was the farmers, who fought the Revolutionary War, gaining us our INDEPENDENCE. Without the ability to produce food, where will this country be in a future war. Will our military be able to depend on IMPORTS, if there is limited U.S. agriculture ? What about the countries depending on our exports now? They will be starving the same as Euthopia.

Another thing that I fear is, if too many farmers are driven off their land by low income,where will they go? To try to get a job in town. This may be possible for some, but more difficult for others, as the average age for farmers is 52. With farms going out of business, another person's job is also lost. In 1983, 20 million Americans were employed directly in the food and agriculture business. If there is any doubt, look at John Deere, International Harvester, and Firestone's recent layoffs. This was a result of farmers not having any additional income to purchase new equiptment. For every dollar a farmer spends, it generates $7 more in the economy. Even closer to home, the cutbacks have effected workers at the Allis Charmers and New Holland warehouses in Syracuse.

How can President Reagan keep insulting us with remarks such as "Farmers want a key to the treasury" or "constantly looking to the federal government for a bail out" or "expecting a guarenteed success from a government program". We produce the most food at the least cost worldwide. What we want and need is a fair price for production. Quoting from "COUNTRY FOLKS", FOOD: AN AMERICAN BARGAIN. "On the average only 12.7¢ of every $1 Americans spend goes to food eaten at home (food eaten away from home about another 4¢). Canada, 15.2¢ ..Japan, 21.5¢ .... in the Soviet Union, 31¢ and as much as 60¢ to 70¢

in developing countries. (1980) It is not because U.S. incomes are the highest; they're actually sixth-highest. It is because of the giant strides U.S. farmers and ranchers , and the food and agricultural business they are the heart of, have made this century in becoming more productive; twice the output in 50 years, with a fifth of the producers!

In 1983, Americans spent $312 billion on food, not counting seafood and imports. That works out to $3.70 a day for every person in this country. Of that $3.70, on the average $1 a day went to farmers and ranchers. Another $1.22 went to wages for the 20 million employed in the food and agricultural bussiness. The other $1.48 covers all other additional expenses, from packaging to interest.

In 1984, we paid about $3.54 a day-on that same average per-person basis-in indivual income taxes. Of that, 4.4¢ went to agricultural programs....including the productivity research that contributes so much to making our food spending the world's LOWEST.

Even though the Northeast is not as critical as the Mid-west, we are rapidly deteriorating to this situation. Do not be misled at the lack of attendence at the rallys and hearings. The farmers in the Northeast are hesitant to show their concern publically for fear of losing their pride and dignity. A good example of this is the RCMA, which is set up to collectively bargain the price of milk. Even though other bargaining agencies in the U.S. averaged 80¢ for their members last year. This venture towards over-order pricing is not going together well in the Northeast, as 95% of the farmers must sign this agreement. This has been in the works since August 1984, dispite the benifits it would reap to the farmer, it has been slowed down by various organizations foot dragging and negative publicity.

Unity between farm groups is what is needed. A Farmer is a Farmer. No matter where a farmer's milk goes or what organization he belongs to, he needs a positive cash flow. RCMA would help to generate this. The state would be helpful in organizing sessions, so that farmers could come together and voice their opinions. Quite a few farmers today don't feel they are getting accurate representation from their elected officials or co-op heads.

Peter Merrell
Sauquoit, N.Y.

There are solutions to the farm cash flow crunch.

#1. PRODUCTION CONTROLS--Have an independent structure analize production needs and firmly enforce them.

#2. DISCONTINUE IMPORTS THAT DEPRESS FARM PRICES--- If there is such a surplus of domestic dairy products, why do we need imports. Farm products shouldn't be used as a political weapon. Example- Mexico wanted us to export powdered milk, but the US refused because Mexico wouldn't send gas. More imports of beef and hogs have been coming in this country, due to the increased value of the American dollar. Let's do away with the word games of calling casien, a chemical instead of a dairy bi-product, as artifical products made from casein are displacing real products.

#3. HIGHER BUY BACKS FROM THE CCC---By raising the buy back price from the CCC, it would discourage co-ops using the CCC warehouses for cheap storage. The government says it costs $17 to store the product. Farmers are only recieving $13.10 now with more drops in the immediate future.

#4. MINIMUM PRICE LEGISLATION--Legislation that would set a minimum price on commodies. This would be relatable to minimum wage laws .

#5. NO TAX SHELTERS FOR INVESTORS---A family farm business should derive 70% or more of its net farm income to be able to get a tax shelter.

#6. RCMA--To inact this measure as soon as possible. More regional programs are needed that would generate more income.

#7. NEW YORK'S COMMISSIONER OF AGRICULTURE AND MARKETS should use his unique authority with the Rogers-Allen Law .

This law lets the Commissioner sit down with bargaining representative of producers and dealers, to determine legal over-order pricing, either throughout the whole state or parts there of. His first concern should be what would happen to the state's economy if farmers don't get more adequate prices, as Agriculture is New York's #1 Industry.

In conclusion, farmers need a fair price to keep the family farm in business. We don't need anymore loans to stay in business. A fair price would enable farmers to pay their bills and generate more money to the economy. Remember every $1 a farmer spends generates $7, to the economy. We need people to understand, that alot of facts and figures coming out of Washington are not always true. President Reagan came out two weeks ago saying that only 4% of the nations farmers were in financial trouble. A retraction came out a week later stating that it was actually 16.7% of the farmers in financial distress. On the average 250 farms are driven out of business daily. Last year, we lost 1000 New York State Farms. No one has been able to get any accurate figure about the amount of dairy products in storage at the CCC, or been allowed to see it, dispite requesting this information on numerous occassions. It is time for action, as our state and federal representatives must represent us fairly and honestly, in our fight to maintain a stable food supply. The continuation of a cheap food policy will lead to economic diaster, felt not only in agriculture by all sectors of the economy.

Pete Merrell
Sauquoit, NY

The CHAIRMAN. Thank you very much, Mrs. Merrell.
Mr. Crowe.

STATEMENT OF ADELBERT R. CROWE, NEW YORK STATE PRESIDENT, NATIONAL FARMERS ORGANIZATION

MR. CROWE. The testimony that I'm presenting here today is not of my own, but throughout the State and across the country, that the same problems are being faced by other dairy farmers. My name is Del Crowe. I've been a dairy farmer in Oneida County, NY, for 30 years.

Since 1969 I've owned and operated my family's farm after receiving most of my experience by working with my father and brothers on the family operation. After purchasing the farm in 1969, I was determined to make this farm solvent with hard work and sacrifice. Not only by myself, but by my wife and children we obtained these goals by the midseventies.

Through that period of time, we received support price increases which helped cover the cost of production. Markets were stable and we were self-supporting. In those years the Government told the American farmer to produce more and feed the world.

This was highly publicized by farm magazines, economists and lending institutions. We were told that by the eighties only the large, more efficient farms would survive. Through the advice of our lending institutions' opinion, the advice of our accountant, based on background of good management abilities and sound business practices, we expanded and doubled the size of our original farm operation.

At that time loan money was based on 8 percent interest, with a pay-back ability of $15 per hundredweight for milk. Between the years of 1975 and 1979, we had the ability to pay our expansion costs. Like many other farmers, we were led to believe this trend would continue. We were misled.

In the early eighties the problems started to escalate. Loss of support price increases, then the Government freezing support prices and the outrageous tax on milk production, the beginning of support price drops, along with interest rates rising as high as 18 to 20 percent, made it impossible to generate enough cash flow to meet these everyday costs of the operation. With this lack of income, the only way out was to further increase production.

The increase just covered the cost because of all these problems. Now, in 1985 the Government's answer to the problem is basically the same as it was in the seventies. They say fewer, but larger and more efficient farms, lower support prices, borrowed money is the answer.

They were wrong then and they're wrong now. The effective way to correct the problem is through a fair price to cover the cost of production and return a reasonable profit to the farmer. We cannot produce $11 milk with a $15 production cost.

Who will till the land and feed the people if conditions are not immediately improved? If the family farm is allowed to deteriorate at such a fast rate, there will be no one left to produce the food for a growing Nation. Agriculture has been based on a system of family farms, where the laborer, the production, the ownership makes this the most productive Nation in the world.

If financial conditions do not allow the family farms to remain in business, this could all change. Farmers realize that low-interest loans will not correct the problem. An infusion of borrowed money to pay back day-to-day operating expenses is no substitute for fair farm prices.

Higher prices could be attained and encouraged through State and local governments, such as over-order pricing. Over-order pricing is a means of obtaining a price for milk producers which is higher than the minimum prices set by the Federal orders.

Over-order pricing is now in 35 areas throughout the United States Dairy farmers in the Southeastern States formed the Sunbelt Dairy Federation and instituted over-order pricing.

Minimum price legislation would not cost the Government anything, would get a percentage of parity—farmers would get a percentage of parity and make it illegal to buy or sell below that; 80 percent of parity is approximately equal to the average cost of production for each commodity. We would encourage the raising of milk prices to 100 percent of parity to maintain production cost plus reasonable profit.

Farmers oppose any Government tax based on production. When people in our own country are going hungry, it is criminal to label our stored inventory as a surplus. In a world beset by hunger, who can deny there is a demand for this food?

It is wrong to penalize farmers for producing it. Raising the buyback on products sold to the CCC would be an easy way to discourage handlers from using this as cheap storage. If production seems to be a problem, we should eliminate the problem at the farm through a cull cow program in which farmers would receive a bounty for cows sent to slaughter, which would help not only immediately, but would cut down on future cow numbers.

Imports remain a significant factor in the marketplace, while our Government cries surplus in an effort to justify lower farm prices. Quota cheese imports in the first 11 months of 1984 represent an equivalent of 2 billion pounds of milk. During that same period, nonquota cheese imports were up 30 percent. Action taken in the milk marketing order serving our own State also depressed the price the farmer receives. For the month of March, a call provision set at 8 percent by the market administrator led us to believe that there was a shortage of milk for the fluid market.

In the same period of time, 24 tractor-trailer loads, each trailer load containing 50,000 pounds of milk, were sold to the CCC. We could not base the price of the milk on purchases made to the CCC when the market can be manipulated by our own handlers.

A call provision that class II handlers are required to make 8 percent of their milk available for fluid consumption. This only serves to prove that it is an abuse of handlers and Federal policy; not farmers, selling to the CCC. Farmers are the key to the economic prosperity. When the largest industry in the nation prospers, everyone benefits from the increased business and jobs. Farmers are consumers. Farmers are taxpayers. Every dollar earned by a farmer turns over seven times in the economy, generates business and creates jobs.

This administration does not realize the importance of a healthy agriculture. Finally, we ask our Government to restore the production of food to its proper level and important in formulating its national budget.

Thank you.

The CHAIRMAN. Thank you, sir.

Mr. Hamilton.

STATEMENT OF JOHN HAMILTON, INDEPENDENT MILK PRODUCER, EAST MEREDITH, NY

Mr. HAMILTON. Thank you, Mr. Chairman. My name is John Hamilton. I'm an independent milk producer from Delaware County, NY. I am helping to form a group of independents. We call ourselves the Atlantic Dairymen. The following testimony contains some of the issues we have been discussing, and to which we think more consideration should be given, and our reasons for believing the issues important.

Updating--increasing—transportation differential as pertaining to Class I M&W milk price. If milk has to be trucked from the Midwest to the East, it is at the cost and the expense of the consumers. Continue to provide Eastern consumers with fresh milk would be a benefit of the transportation differential update.

The transportation differential should be updated because it has not been considered since 1968. We know the transportation costs have escalated considerably since then. Consolidation of Federal Milk Marketing Orders. Costs of running offices is too high and inefficient. The orders are too small for modern trucks and roads.

A truck can cross orders, several orders, in a matter of hours, and the orders use each other as a dumping ground to adjust the price.

The next issue that we would like to have considered, and we have discussed, is the elimination of Federal orders.

We have talked about going to a free market. It would hurt. It would hurt real bad at first, but then the survival of the fittest would be the rule.

It would enable us to utilize already existing emergency orders and State orders. It would enable us to form regional orders that wouldn't be tied to the M&W price—and this would be to our benefit, particularly in the Northeast.

It would eliminate the cost of high-priced spot milk, due to order regulations to the advantage of producers and consumers alike.

We believe that CCC should be doing business in a businesslike manner. Regulations governing CCC should be changed so that CCC is not required to buy all surplus milk.

This would eliminate an easy and cheap market for milk processors who would be marketing the milk themselves on the open market, providing consumers with all the milk possible, while not jeopardizing the price to the producers.

We believe the CCC should be buying milk from the lowest bidder. We believe that the Martin plan should be given more consideration.

Concerning the cheap food policy, by paying taxes instead of farmers, consumers are losing millions each year. The inefficiencies of paying taxes instead of farmers, we believe, it's evident.

FmHA—our Government should not be in the agricultural business to the extent it is.

Does it make sense to drive low-income farms out of business while keeping bankrupt farms in business?

Farm point price elimination—farm point pricing is, I believe, only in order II, and we believe it increases the transportation costs rapidly, and in any farm bill we would like to have that eliminated.

Finally, my last thing on my agenda here is the Atlantic Dairymen organization. We are trying to organize independents. We have been doing it for some time, and we find that we are having a lot of trouble doing it.

And we believe that the Department of Agriculture should be more willing to work with farmers who want to help consumers by helping themselves in that respect.

Thank you for your attention.

The CHAIRMAN. Thank you. Mr. Henry vanLieshout, we are happy to hear from you, sir.

STATEMENT OF HENRY vanLIESHOUT, DAIRY FARMER, ONEIDA COUNTY, NY

Mr. VANLIESHOUT. I am from Verona, a dairy farmer from Oneida County, NY. I have a dairy operation of about 130 cows and operate this with my five sons.

With the dairy business as it is today, you just cannot make any long-range safe planning for your operation.

We need stability in our industry so a young farmer can make a safe judgment when starting in business.

A lot of our problems stem from the large national debt, which keeps interest rates high. This, in turn, makes the cost of production higher, with the United States less competitive on the world market and leaves our country as an easy dumping ground for foreign imports.

The Milk Diversion Program was one of the poorest measures taken to correct our oversupply of milk. Paying someone for not producing is the same as unemployment in any sector of our economy. It is just another form of farmers on welfare. It has no incentive for progress and all our research and know-how on being productive are laid idle and are a deadly loss in competing with our products in the world market.

Of course, the No. 1 stabilizer in price and production is our price support program. But by not handling this mechanism correctly, we got in a mess of overproduction with all the bad things that followed.

I have a very strong opinion that we, in this day and age, cannot have a free market, but we can and should have a very strong market-oriented program, a program where we farmers do not have to depend on Government loans and support alone.

As a dairy farmer, I would like to see milk supported at about 90 percent of the previous 3-year-average price paid to producers, and have this tied very closely to the CCC purchases.

Now, I think updating of the price, up or down, should be mandatory, at least once a year. Under such a program, the element of supply and demand will work at its fullest equally for all. It also guarantees great stability in production, consumption, and prices of dairy products, both for producers and consumers.

Investment in farms—in addition, I also would like to see your committee work to prevent investment money, which is taken away as tax revenue, from entering our agriculture and further ruin our markets and the family farm.

A lot was said this morning about regionalism, and our Government has stated many times that we cannot have any regionalism in this farm bill.

The program outlined above does not favor any State or region. We can be unified behind it.

However, I like to quote from a recent article in the April 25 issue of Hoard's Dairyman, where the new Chairman of the House Dairy and Poultry Subcommittee, Tony Coelho, from California, from the 15th Congressional District, stressed unity in the dairy industry, saying:

"There is only one reason I am here: unity nationwide."

But then he goes on to say:

"The farm bill will be a tough fight. The opposition is lining up in the form of consumer unions, the American Farm Bureau Federation, and dairy processors."

Coelho continues: "It will be a close fight, but we will win."

Now, if Mr. Coelho is predetermined as to what he exactly wants in this farm bill, where does the unity have to come from which he preaches?

Let's hope Mr. Coelho realizes that he was chosen as chairman of the United States Agriculture Subcommittee on Dairy and Poultry and not just a subcommittee of California.

Thank you for this opportunity.

The **Chairman**. Thank you very much, sir. I appreciate your testimony. Mr. Reed.

STATEMENT OF STEVEN REED, PRESIDENT, DELAWARE COUNTY FARM BUREAU

Mr. **Reed**. I would like to thank you for your opportunity to speak today.

I am Steven Reed, a dairy farmer from Delaware County; and I am here today to express my personal opinions on the dairy situation, as I believe that most individual dairy farmers have no real representation.

The National Milk Producers Federation, I believe, should change its name to the National Milk Manufacturers Federation, as its policies and current recommendations are clearly the ideas of milk manufacturers, more specifically milk manufacturers with plant capacity geared to Government sales.

We are looking at the solution to surplus problems. Congress would do well to remember that manufacturers make the same profit for 100 pounds of milk, no matter what price the farmer receives.

New York State dairy farms have declined in number since 1960 from 42,478 to just over 15,000 in 1983.

During the same 23 years, co-ops have zapped farmers with assessments more times than I care to count, to bail themselves out of trouble.

But, yet, they will stand here today, and tell you "the efficient will survive."

I ask you, "Who does the farmer assess?"

Furthermore, I would say, it does not matter how efficient you are, if your co-op zaps you $2 a hundred too many months in a row, you are going to be in trouble.

I believe that any policies recommended by co-ops will shore their continued existence for the foreseeable future, but will do little or nothing to slow or reverse the decline in the number of farms.

After 50 years of depending on the U.S. Government for a safe, secure, guaranteed market, change is not going to come easy; but I believe change in the right direction can be beneficial to the co-ops, to the dairy industry, to the consumers, to the U.S. Government.

The present system employed by the CCC in its purchase of dairy products to maintain milk prices at the support price level has developed some major problems which must be addressed if the maximum level of dairy products are to move from the marketplace to consumers.

The first part of this paper will identify some of the problems with the present CCC system. The second part will briefly explain the Martin plan.

The present CCC system problems are as follows:

The present system does not provide processors with sufficient incentive to move maximum levels of dairy product into commercial market channels.

The support price has become the effective price, often nullifying actual supply/demand situations which would be positive for the industry.

The present system provides an incentive for excess production in areas where market conditions would not support such production.

The present system has proven to be extremely wasteful of dairy industry resources and capital as well as taxpayers' moneys.

Under the Martin plan, the Government would offer certificates for sale to processors wishing to compete for that market for dairy products.

A determination will be made at the beginning of each marketing year as to the dairy products needed to supply legitimate Government needs.

Processors would bid on these certificates for the opportunity to supply these markets.

Sale of certificates would be offered monthly with an effort made to balance periods of high production with the purchase of storable products.

If Government demand for dairy products exceeded the sale of certificates, this portion of the actual needs would be purchased on the open market.

Dairy production in excess of commercial and actual Government needs would be taken off the market at world dairy price levels. Certificates would not be offered for this production since price alone would discourage production.

The advantages of the Martin plan for the U.S. Dairy Industry follow:

One, a competitive system would provide market growth essential to a dynamic, progressive industry.

Two, competitive marketing would provide quality product incentives.

Three, taxpayer cost of the price support program would be eliminated.

Four, competitive marketing would reinforce responsible decisionmaking on the part of total dairy industry management.

Five, responsibility for supply/demand balance would not rest solely on the shoulders of the dairymen, but would be spread throughout the industry.

Six, it would provide a stimulus for upward price movement, when warranted by supply and demand market conditions.

And I would like to again thank you for the opportunity to speak.

[The prepared statement of Mr. Reed appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much.

We thank all of you for your contribution and for being here.

Are there any other persons here who might wish to testify?

We'll accommodate so that no one can say that we did not hear everyone who wanted to testify.

Mrs. **Mierek**. I would like to make a statement.

The **Chairman**. You have already testified?

Mrs. **Mierek**. I want to remark on your answer to the Milk Diversion Program. My husband and I did participate in that program and you said—and I agree with you, Congressman—it was an emergency measure. I believe if everyone unified in favor of that program and the program got off to a better start, I think it would have been more effective. The idea was a rationing program, but the farmers did not really have the time to sit down or allow themselves another handout program. But as an emergency measure, it could have been even more effective.

The **Chairman**. Thank you very much, ma'am. Mr. Vargulick.

STATEMENT OF WILLIAM VARGULICK, DAIRY FARMER, CARTHAGE, NY

Mr. **Vargulick**. I'll get started a little bit slow and then I'll get moving, but I hope when I get done that you will really try to criticize it.

I think it is a good policy; and I would seriously like you to criticize it a lot.

First of all, I am a dairy farmer from upstate New York.

Recently, I attended two over-order RCMA milk pricing meetings.

They were very well organized, and quite readily accepted.

It got me thinking, and I am not so sure it is the true answer. Personally, I feel that it is only a band-aid for the dairy farmers because it has nothing to do to control production, but instead because of the additional money that the farmers will receive, it will encourage production, so there is a lot of static in my area going for RCMA, and I would just like to put the hold on that. I'm not sure it is such a good program. Like some many programs, it would only benefit the biggest farms.

You could take an example. Say, a big farmer produced, say, 30,000 pounds of milk a day. He is going to—this over-order pricing, he may get an average of 50 cents per hundredweight.

You are talking $150 a day for that one person, just from this one policy, as over and above bonuses.

What I am saying is that small farmers are not being helped by that type of a program. You are only helping the biggest farms who are working on a small margin, and you are giving them money right off the top.

Here is my program, and it is going to be a lot of criticism, but, anyway.

This program is designed to encourage farmers to keep production in check.

I would like to see a milk tax of $1 per cwt. This would be returned to the farmers who held or reduced production.

We would set up a floating, quarterly base. It will be 2 years previous.

So, the base would be 2 years previous, so it would be May—I am setting it up quarterly, so January, February, March 1983 to January, February, March 1985. That would be a comparable base; it would be a floating base.

You set up a 2-year floating base, quarterly; and I have set up three refund categories. First of all, if you produced within less than 500,000 pounds in that quarter. You are talking 2 million pounds a year. That would include most farms. That is the first category.

If you produce within 5 percent of your base, you will get that $1 back; if you go less than that 5 percent of your base, drop by more than 5 percent of your base, you will get $1.25 back.

If you increase by over 5 percent, you will not get a refund.

It will discourage people from always wanting to get bigger, and I think that is needed.

The second quarterly base is between 500,000 pounds and 1 million pounds in a quarter.

All right, if you produce within 2.5 percent over, and 7.5 percent less, you would get your $1 back.

If you increase by more than 2.5 percent, you would not get the $1 refund.

And if you decrease by over 7.5 percent, you would get $1.25 back.

The third group is more or less your superfarms, and it is 1 million pounds in a quarter. And you are talking 4 million pounds in 1 year, so not very many local farmers.

But you need to produce within 1 percent and 9 percent, 1 percent over, 9 percent under, to get your $1 per/cwt. return. Increasing more than 1 percent, you will forfeit your refund. Dropping by more than 9 percent you will get the $1.25.

This will encourage a few superfarms to drop back. If they are smart enough managers, they will go for it, and they are the ones that are really flooding the market, and those three categories, the typical farm, you are talking in a 5-percent range. You are going to get this dollar back. It is a curve to try to discourage people from wanting to get bigger, and it is a curve to try to help the average farmer and not give the big bonuses to the biggest farmers.

In so many policies, the big farmers don't need the help; they can buy in volume, they can get discounts in marketing; I worked on a big farm in western New York, and he ships to New York City direct. I mean he can bypass so many different things. You don't need programs to protect him. He is going to protect himself.

I think we need to establish something in our minds. Do we want to help a typical—whether we want to classify it, as a "family farm" or as a "commercial farm."

There is a big loophole there; maybe a 400-cow farm can go either way, but a 4,000-cow farm really is only commercial.

All right, in the case of a new farmer, this program, you say, is not going to be fair; it is going to have a lot of problems.

But in the case of a new farmer, who does not have a 2-year previous base, we would need two signatures, one to refund his milk tax—one from the milk plant when you sell your milk, and one from your banker or your accountant, stating that it is truly your business.

Now, this would try to keep big farms from trying to pawn off their extra milk and to try to regroup some of this money that they were trying to overproduce.

I think it is a good enough program. I really do; and this program goes against the free market system, but Tom Wilson, the marketing administrator, wrote a thing in the paper just a few days ago, and I think we have got to agree that the free market system is moralizing.

Like you said before, it is a fantasy, as "Fantasy Island." And some restraint is needed for the good of everyone, because of this it is just a generalization.

Education and advances in herd health, nutrition, milking systems, cropping practices have paved the way for overproduction.

I think we have got to be smart enough to see, like hog and poultry systems were faster to overproduce their market, were faster, easier to grow big faster, and look where it's gotten them. They are working on a very thin profit margin, and I think if we just look back and say: "Where are we headed?"

If we go with the Farm Bureau method, which is a trigger method, I think it is good, but it is only good for the guys that are willing to go bigger. It is only good for the big farms, because you are working on a short-term deal where you are going to trigger the price up and down; and only the big farms can really handle that type of fluctuation.

And I am not criticizing the big farms, but if that is the policy, I am going to have to go big myself. I mean, I am 100 cows now, but there is nothing going to stop me from going 400 cows. I don't really want to do that.

I think unless we do something to help the small farm—or just a program to encourage people to stay where they are, these other types of programs are going to just keep right on encouraging the superfarms. And there is one other thing that I jotted down, and just a cost to the Government.

If you really figure these figures that I have got down here, the ASCS could run this through, be the collector then, the payout of this type of a program, the Government really will save money, if a big farm drops, there is going to be that much less milk that will need purchasing, and if you are really, I wish you would throw a lot of questions at me, because if you really dig into, I really think it can work.

And I guess, shoot a question if you would.

The CHAIRMAN. Well, we are not going to do that question just now.

Why don't you put it in writing?

Mr. VARGULICK. It is all here.

The CHAIRMAN. Go home, take a week, and think it out, put your thoughts in writing, and send them to us.

Mr. VARGULICK. The example? You want the examples down?

The CHAIRMAN. Just write how you would run the whole program and list the examples, and send your statement to us, and then we'll take a look at it.

[The prepared statement of Mr. Vargulick appears at the conclusion of the hearing.]

The CHAIRMAN. Mr. Barron.

STATEMENT OF PAUL E. BARRON, FARMER, LANSING, NY

Mr. BARRON. Thank you, Mr. de la Garza.

Hopefully, I got that part right.

I thank my God for the opportunity to be here today to testify before this committee. It is a very essential part of our form of Government, one that is established and founded by His Grace.

I have been involved in agriculture for 43 years. In fact, I am living in the house that I was born in, which is support that I am not living on the family farm.

I have been very much a subject of all of the economic distress and oppression that has been taking place within the agricultural industry, and the agricultural economy.

For some strange reason, I have been able to sit down and apply a given number of principles for the construction of a proposal to lead agriculture in a direction other than what has been recommended up until this time.

Many many years of research and through the associates that I am working with have brought about given indicators and, first of all, we have to establish a point of where we are and how we got where we are today.

Starting back in the seventies—I think it was the Carter administration that told American agriculture to produce the corn that you can produce; and we planted fence-row to fence-row, because we had foreign markets that could be met.

Before we got that crop harvested, our beloved President Carter cut off those markets by the grain embargo to the nation of Russia.

At the same time, he brought about an action of increasing the support price on milk and was to go, I believe, up to $13.85 in October of such and such a year—I am not sure what those dates are, but I am sure you are familiar with it.

With a tremendous supply of corn on hand, and an increase in the dairy support price, it resulted in not only an overburdened grain market, but also, eventually, in an overburdened dairy program, because of the fact that it did not take too much of a mathematician to sit down and figure out the grain/milk ratio, and the cost of production with $75 or $80 corn, and $270 milk.

It was just a bonanza, and I think it has already been sufficiently explained as to what those, the repercussions are—we are all living under them today.

Looking at that, we took a course of reviewing what really happened there, and by looking at the law that has been established from the foundations of the Earth, that the Congress of the United States can't change; the President can't change; the judiciary can't change. That is a law that says that for every action there is an equal and opposite reaction. And we saw those types of reaction things happen in the agricultural industry.

Thus, we are in the position today where we are in a condition, a state of being lost; and we are in desperate need of a leaders in agriculture today, desperately.

Secretary of Agriculture Block is the Secretary of Agriculture to the President; he is not the Agriculture Secretary for agriculture.

Although I agree 100 percent with what the administration is trying to say, and that we have got to separate agriculture from the support type of system, taking that in mind, I have taken a course of action to bring about some things that I would like to recommend to you, and to the Ag Committee for their consideration.

And through my own research, and again through my associates at Cornell University, I have drafted a proposal to use corn as a source of energy.

Now, I realize the Department of Energy has been going through extensive research, and we have been trying to make energy from alcohol, which has proven to be very inefficient.

Somehow, we have overlooked the fact that corn is a solid source of fuel. Our research, so far, has told us that there are 444,416 Btu's of heat generated from gross energy release, from burning a bushel of No. 2 yellow corn.

If you use a standard figure for fuel oil, or propane at a 92,000 Btu heat level that establishes a 4.83 gallons equivalent in a bushel of No. 2 yellow corn; and if you use a $1 average price for fuel oil or propane—which is about the average price across this Nation—that puts the value for corn for a source of solid energy, solid fuel at $4.83 a bushel, and we have been selling it for a great deal less than $2.50 for quite some time.

We have just a tremendous opportunity in this Nation, and a vast number of places that this can be used as a source of energy. It can be used as a source of energy for heating homes; it can be used as a source of energy for commercial purposes; it can be used as a source of energy for industrial applications, for it burns at 1,100 degrees of heat at a natural draft.

There are no sulphur emissions from burning corn; the ash that is left over is phosphorus, potash, and calcium, all elements that can be returned to the soil and that can produce another crop of corn.

The economics of using this amount to this: When I was down in Washington in February, I sat in on your agriculture subcommittee hearing, and you gave the information there at that meeting, which I already knew, but I was glad to hear you confirm it, that $1 put into the agriculture economy regenerates itself seven times as it goes throughout our economy.

At the present time, this Nation is spending $56 billion in the purchases of foreign energies. Those are dollars that are going out of the Nation that are not turned back into our economy, only through being turned into our financial system and being loaned back through the Federal Government to finance expensive Government programs.

If you put that same $56 billion into the agricultural economy, multiply that times seven, and you come up with a figure of nearly $400 billion of new revenues that were not there before.

And in the process of using that, you have created a tremendous number of jobs throughout every aspect of our society.

By using a price structure of $3.50 a bushel for corn, it makes a 70-cent equivalent cost per gallon of fuel oil and propane, and I am sure there are a good many homeowners in the United States of America, sir, that would like to be able to find that bill in the mailbox rather than the one of a $1 or $1.25.

This is opportunity; it is productive rather than counterproductive. It puts agriculture to work at a full scale, for we have opportunity even to compete with our domestic energy supplies right here today.

They are being grossly overpaid, in my estimation. When I looked at my fuel expense account for 1970 and my fuel expense account for 1984, it was about $5,000 more for running the same size of operation; and that is a tremendous additional expense that has got to come from somewhere.

And with a decrease in the support price on milk, and a price on agriculture or agricultural products, it has caused a serious repercussion in relation to my cash-flow.

When I came to my sources of revenue to back me financially this spring to plant and to pay for seed and fertilizer, they told me that I could not make my operation cash-flow, and I have not done anything different; I have not expanded my operation. I am not guilty of producing surplus milk, as Secretary of Agriculture Block had accused me of—and there are some serious repercussions about falsely accusing a person, in which I would wish you would relay that message to him, give him the opportunity to hear this testimony.

The CHAIRMAN. The next time I see him, I will tell him.

Mr. BARRON. Please do.

Just in defense of myself, I was brought up, sir, with a belief that a good name was greater to be desired than fine gold, and to protect one's name is a personal attribute that my daddy put in my heart; and that's what I have got to continue to belief—to keep your name good and keep it clean.

And I have exercised a great deal of time in doing that.

But to continue on with this proposal, and what it will do—if we begin to burn corn, rather than turning it into milk, we stand a great opportunity of taking away from and eliminating the Government purchases of dairy products. It was because of a vast volume of corn, and with the dairy support price being high, that it wound up in the dairy industry; it destroyed that.

Let's turn it around and use this product that we are able to produce in a tremendous abundance—and we have a technological team for production, for distribution; we have got technology available for the burning of this.

I have checked into—the furnaces are available to burn this at a 90 percent better efficiency level.

This program can do these things. It can establish a market for all the corn and wheat we can produce, which will put agriculture on a full-scale production using domestic markets, rather than having to compete with foreign markets.

It will provide the necessary means for transition from Government-supported agriculture industry to a free enterprise and a market-oriented industry.

It will eliminate Government purchases of dairy products and agriculture support programs. It will stabilize agriculture and all of its support industries, and reverse the forced exodus of qualified and well-paid personnel from these industries.

It will create new positions, and new levels of employment in all of these industries. It will open the door for employment of technology now available and stimulate new research and development concepts; place agriculture in a more stable financial position, and stop the collapse of financial institutions connected with agriculture by stabilizing land, cattle, and machinery values.

It will provide America with an economical and renewable source of energy. It can make America self-sufficient in energy, which will bring down the cost of living, the cost of agriculture, the cost of medical care, the cost of social programs, the cost of Government, the cost of transportation, the cost of production in all industries, the cost of education and the cost of recreation, et cetera.

And we are an energy-consuming Nation; and when you bring down the competitive force in the market for energy, and agriculture has that ability to be a very competitive force.

We need to employ a great deal of thought in the consideration of using this commodity, because corn is the indicator. It is the king. In our country, corn is king, and all other commodities are priced in relationship to the price of corn.

But on the way along the line for what this proposal will do; it will bring down the prime rate and crime rate, will stimulate new home and commercial construction, thereby creating more job opportunities; provide opportunity for more tax cuts, make the dollars for defense go farther; it will balance the Federal budget, without budget cuts in essential areas.

It will provide the means for paying off the national debt, bring about an equalization of international trade and monetary imbalance, and bring down the overall cost of living for all America and the world.

It will give America and the world a greater purchasing power, place America in the undisputed leadership position, politically, economically and spiritually; and make America a living, radiant witness and testimony of the love of God for through her all of the nations of the world will be blessed, a virtual river of flowing water, and the land of milk and honey.

And I thank you very much, sir, for the opportunity.

The CHAIRMAN. Do you have your process on your theory patented?

Mr. BARRON. I beg your pardon?

The CHAIRMAN. Do you have your process patented?

Mr. BARRON. I felt very seriously, sir, about getting a patent on that, but it was given to me freely; and the scripture says if you receive freely, to give freely; and I would like very much to help this Nation out of the desperate situation that it is in.

When I was in Washington, DC, I was shown that this Nation is now up against the Red Sea, and that Red Sea, sir, is the red ink and the redtape, that we have in Washington, DC, and without Divine intervention, I do not believe that we are going to cross on dry land; and I will be glad to extend to you that Almighty God through my hand is the author of this proposal.

The CHAIRMAN. Thank you.

Mr. Langdon.

STATEMENT OF G. DINEHART LANGDON, FARMER, COPAKE, NY

Mr. LANGDON. I would like to thank you for this opportunity. I went to the hearing up in Burlington, but by the time that they got around to me, everybody had packed up and went home, and I did not have a chance to present any testimony.

I almost did the same thing today, it looks like.

The CHAIRMAN. I am glad you were able to be here.

Do you have prepared testimony?

Mr. LANGDON. Yes. It concerns mostly comment on some of the testimony which occurred——

The CHAIRMAN. If you have a prepared statement, we would like to put in the record. If not, just go ahead and tell us your view as briefly as you can. We will be happy to hear from you.

Mr. LANGDON. OK. One of the things that the gentleman from Massachusetts, milk producers said at the hearing in Burlington, was that we in the East have less cost as far as marketing milk because we are closer to the market.

I would like to challenge that statement because my milk, of course, goes into Hartford from Copake, NY. And it is a distance of about 70 miles. That means it has to go in a tanker truck.

Out in Wisconsin and that area, you use a straight truck, and the truck makes two trips a day. Mine makes one trip a day. My cost of hauling was 67.7 cents, last month, per 100 pounds. Our cost for hauling just went up about 10 percent because of the bridge collapse that happened in Connecticut.

The State went to very strict enforcement of the bridge-weight laws, as far as trucking is concerned; and that meant we had to reduce the size of our loads over the road by 10 percent.

All of that cost was picked up by the farmer; and not 1 cent was picked up by the consumer.

I would also like to address the problem with the Federal orders. With your Dairy Diversion Program, I believe that you wound up with a big shortage down in the South.

You also have had a problem with shortages here in the Northeast in a limited way. I think that hit Nedco, and it hit them very hard. What I believe the co-ops are doing is they are picking up a lot of the costs and balancing these markets and it isn't fair to pile all this on the co-ops. I think it is not right.

As far as co-ops go, in my area, we have Nedco, Dairylea, and Eastern, and Agri-Mark. Agri-Mark is my co-op. I had approximately $18,000 invested in my co-op, in order to sell this milk. I pay $25 plus 4 cents a 100 dues every month to my co-op to sell my milk, in addition to having this money invested.

I think it gets down to the point where it is all too easy for the market administrator when a co-op gets into trouble, to wag its finger, and say, "They simply did not pay attention to business."

I do not believe it is so. It costs a lot more money here in the East to move milk than it does in the Midwest.

Using a 30-cent difference in the hauling rate that prevails in the Midwest and what was in the papers as far as, I think it was the Midwest—Wisconsin milk producers—they paid a dividend of about 25 cents a 100.

When my neighbors who shipped Dairylea got done paying their co-op charges and everything, they got less for the milk in the Hartford area for their fluid milk than the producer got in Wisconsin.

I'll skip over part of this, and let you——

The CHAIRMAN. We'll put all of it in the record, so you tell us whatever you want to say today.

Mr. LANGDON. I'll let you put it all in the record and save you some time.

[The prepared statement of Mr. Langdon appears at the conclusion of the hearing.]

The CHAIRMAN. Fine. Thank you very much, sir.

Mrs. Sekoll.

STATEMENT OF JUNE L. SEKOLL, FARMER AND EDITOR, GREENWOOD, NY

Mrs. SEKOLL. I'm June Sekoll. I am a five-generation farmer in this Nation, three of those as dairy. My son is fourth generation on both sides of his family, so we didn't jump into the dairy business because of high price supports.

I am also a farm editor, writing much of the Washington news for all of New England, New York, Pennsylvania, and New Jersey.

You have heard about regionalism. You have heard a lot about New York State. I believe in the Northeast we cannot do it all on a regional basis, but the Northeast is a very, very important agricultural area. Four States, New York, Pennsylvania, Maryland, and

Vermont, according to USDA record, produced 20 billion pounds of milk in 1984, and they decreased production, while California, a much larger area, in square miles, produced 12 billion pounds.

But that's only part of it. I see that there are many proposals here today. However, much of the agricultural problem is merely following down the line of the economic problems of the rest of the Nation, the other industries, we have technically—steel, automobiles, and now agriculture—priced ourselves out of world markets.

If we look at the Canadian imports, as example, it looks as if we, like much of steel and automobile and other industry, are pricing ourselves out of domestic markets. This is a dilemma. Farmers in any part of the Nation cannot produce food for more than they receive when they sell on the marketplace. Thus, I think, probably what I'm advocating is a very careful look at the economic situation and our budgets, our trade deficits—all these problems—before we overreact and put too much emphasis on an agricultural legislation that will try to help us out, but perhaps will not be of benefit to everybody, including our industries in the Nation.

I just want to comment, Chairman de la Garza, I have noticed here today that from time to time, some of the people testifying—apparently because you are from Washington, relates you with all of Washington.

I understand there are two sides to the aisle in the House, and not both sides agree.

Thank you.

The CHAIRMAN. Thank you very much.

And I might add, yes, but we don't take it personally. I know the frustration of many of our citizens and many of our farmers with Washington and who think that all of us are in the same boat and all have done the same thing. We understand. The House is Democratic; the Senate is Republican; the White House is Republican; but somehow the American political system works. It is easy to say, "Washington got us into this mess," but we understand that the people don't mean that, so it is not a problem for us.

Mrs. SEKOLL. Thank you.

The CHAIRMAN. Thank you very much. Now, Robert Munson.

STATEMENT OF ROBERT MUNSON, DAIRY FARMER, OSWEGO COUNTY, NY

Mr. MUNSON. I say, why, if all these formulas and so on—forget them. Throw them in the wastebasket. All you have got to do is lower support prices. Every time that was done, the amount of milk was brought into a prospective in other years when it was done. We are the only people who buy retail and sell wholesale all through the country, and as far as this Milk Diversion Program, this is what gripes me with my neighbors.

Now, here in Oswego County, we had approximately $1 million collected, and $400,000 of that, $500,000 went to some of the other people, or the people who had signed up for the program.

But the $400,000 of it went out of the county, and probably out of the State because the one thing we have here in the Northeast is water and a lot of it. I mean out in the Midwest we get those—I've lived there, and we get, it's either feast or famine; there is either too much or too little—and all they need to do is have two classes of milk, class I, class II, and a third class if they produce more, put it into that class, and if they can't get rid of it, let them dump it.

And there's a man in Mr. Wortley's area—I am not going to mention his name—in 1973, he said if milk went up $1 per 100 he was going to put on 100 cows, which he did. I think maybe you know who he is.

And I can't think of too much more that I've got to say.

The CHAIRMAN. Thank you very much.

Congressman Wortley.

Mr. WORTLEY. Mr. Chairman, I think we've done a miracle of a sort—48 witnesses today. Thank you very much.

I particularly want to thank you for coming into my congressional district and listening—and such a good listener as you are.

There would seem to be one central theme to prevail through this whole meeting that I was talking about—the great productive capacity of American agriculture.

When you look at the lesson, you see our exemplary farmers and millions and millions of people hungry in this world, and it would be wonderful if you and I could solve the problem of matching up the agricultural productivity of our country with the rest of the world with the proper distribution so a lot fewer people would have to go to bed at night hungry. Then, we really would have achieved our goal.

I want to thank you again, very, very much.

The CHAIRMAN. Thank you very much.

Mr. MUNSON. One more thing—had we lowered the support price instead of going into the diversion program, this thing would have been over now, and now we are starting all over again. You have put I don't know how many thousands of people out of business, and now you are going to do it again, with the diversion program, while the other feasted on some of my money. I don't like it.

The CHAIRMAN. I agree with you. I wish we had listened to you then. Thank you very much.

[Whereupon, at 5:30 p.m., the hearing was concluded.]

[Material submitted for inclusion in the record follows:]

The Hon. George C. Wortley

Testimony Before the House Agriculture Committee

Syracuse, New York

May 17, 1985

Mr. Chairman, I commend you for recognizing the need to listen to the special concerns of New York State farmers and for agreeing to conduct this hearing. Before the day is out, I guarantee you will get an "earful".

Senator D'Amato, I want to thank you for working closely with the Agriculture Committee to make sure hearings were held in New York State. We are extremely fortunate to have a full committee hearing here in Syracuse and tomorrow in New York City. These two field hearings, together, provide New York farmers a rare opportunity to help shape a farm bill that is responsive to their concerns.

I would also like to thank the New York Farm Bureau, the farmers of the 27th District and particularly members of my Agricultural Advisory Council for providing me counsel on farm issues, which are of immediate concern to them.

I am honored to have the opportunity to express my views on agricultural issues and to have yet another chance to listen to the concerns of New York farmers.

I think we all agree that American Agriculture is at a very critical stage. Congress, in formulating the 1985 Farm Bill, has in its hands the opportunity to reverse direction and return profitability to this vital industry. While there are numerous areas of disagreement on how to do this, one thing is certain. Our current agriculture policies are NOT working. My farming constituency has made this abundantly clear. The wide spread political manipulation of farming policies during the 1970's and 1980's has "botched" up the industry.

The American farmer is stabbing in the dark. Heavens knows, what it has been like for our farmers to try and predict federal policy. It's time that we let our farmers farm. In order to do this, a major shift in agriculture policy is essential.

In my view, the 1985 Farm Bill must take politics out of agriculture and return the forces of the marketplace. This will enable our farmers to plan and compete with our foreign competitors. Farmers and American consumers will benefit. So will our economy. We can no longer afford to set price supports above world prices and continue propping up inefficient farmers. This clearly hurts our competitiveness abroad. At the same time, the 1985 Farm Bill must avoid putting our agricultural interests at peril by moving too fast and irresponsibly into the adverse market conditions that exist today. The key is to move GRADUALLY and responsibly.

If this is the direction Congress decides to take, I suggest that Congressman Emerson's bill, HR 1965, of which I am an original cosponsor, is excellent legislation on which to build the final package. It embodies many of the recommendations made to me by farmers in my district. The bill offers a reasonable and realistic approach to our agricultural problems. It is also a balanced proposal that does not favor one commodity over another. Congress has learned that it cannot tinker with one commodity without adversly impacting another commodity. Agriculture is a complex interrelated industry. We have seen how the dairy program affects meat prices and how the PIK program affects feed prices. This bill recognizes these realities. HR 1965 also closely follows the guidelines I mentioned earlier. It moves agriculture closer toward the marketplace, but, gradually, so farmers are afforded the ability to make necessary production adjustments.

Because I represent a district where a large emphasis is placed on dairy production from an estimated 50,000 milking cows, I will concentrate my comments on dairy policy.

But, before I start, I would like to emphasize the importance for the various farming interests to arrive at some sort of consensus on agriculture policies; in this instance, dairy policy. We all know the problems this caused during the debate on the 1981 Farm Bill. This must be avoided. I was encouraged earlier this year with the creation of the 1985 Farm Bill Committee. This was the first time a genuine effort was made to arrive at a consensus between the various agricultural interests in New York State. Because of this, I took the Committee's recommendations seriously. I have followed them closely ever since.

Dairy producers currently face uncertain conditions in the industry. Market conditions and the dairy diversion program have contributed to reduce milk production from last year's levels. Dairy product sales are up. These circumstances are a welcome relief to dairy producers. They indicate that supply and demand may be in closer balance as we approach the 1986 marketing year.

However, we must be cautious in our outlook for the dairy industry. Some indicators are not consistent with a completely optimistic outlook for milk producers. While net CCC purchases were down 8.2 billion pounds milk equivalent in 1984 from the previous year, milk output was down only about half the decline in CCC purchases. Fortunately, dairy product sales were strong in 1984 and the nation's inventory had to be rebuilt after so much product moved to the government just prior to the support price drop on December 1, 1983. These two factors helped to decrease the level of government purchases. Hopefully, sales will continue strong this year. However, this is questionable when you look at the figures for the last quarter of 1984. These figures show no change in sales in comparison to the five percent increase for the second quarter. In addition, the astronomical level of dairy replacements, plus the more favorable milk-feed ratio should cause concern. All of these conditions suggest that production capacity in dairy could easily explode under price signals that provide incentive to produce more milk.

HR 1965 would help reduce these uncertainties. Price supports would be adjusted from an average price history and the level of government purchases. This basic signal from consumers has been lost for several years. Unless dairy price supports are consistent with market reality, farmers will be pushed to mandatory controls. Mandatory controls must be avoided. They have not worked in the past and, if implemented, would signal foreign producers to expand production and sales of their commodities. This would kill U.S. efforts to expand foreign markets.

In addition, the dairy provisions of this bill would remove the discretion to alter dairy programs for political reasons. The proposal would allow dairy programs to flex with market conditions. This will avoid the drastic changes that have plagued dairy farmers over the past several years.

This concept of tying price supports to the level of government purchases is supported by virtually every dairy group in my district. In my view, this demonstrates how well rounded and realistic the proposal is.

There is another serious concern of dairy farmers in New York State that I would like to briefly mention. This is the problem of the "dumping" of a milk protein product called "casein" by foreign countries into the U.S. This is a serious problem than cannot be overlooked. In 1984, the U.S. imported the skim milk equivalent of 6.3 billion pounds of casein, mostly from New Zealand, but also from Australia and Common Market nations that subsidize casein producers and then export excess production at below cost prices. The imports displaced U.S. dairy products and forced the Commodity Credit Corporation to purchase hundreds of millions of dollars worth of American surplus dairy products. This is unfair trade that bears no resemblance to anything that the Administration describes as "free trade." In response, I have cosponsored legislation that would restrict casein imports equivalent to 50 percent of the average yearly imports during the years 1979 through 1983. While this committee does not have jurisdiction over this legislation, I would hope Congress, as a whole, would see fit to correct this injustice.

In the area of agricultural exports, I believe greater attention must be given to export promotion. Among other things, HR 1965 establishes a creative program called the "bonus" export program. Under this program, "bonus" farm commodities and products would be made available from federal farmer held reserve stocks and CCC-owned commodity stocks to those who buy our products on the world markets. This would help offset the advantages of competing countries, which subsidize their exports, and the disadvantages of U.S. exports because of the overvalued U.S. dollar. More aggressive export policies, such as this, along with serious efforts to bring down interest rates will, in the long run, strengthen U.S. agriculture in the world market.

I would also like to suggest the need for constructive trade talks with Canada regarding the "dumping" of Canadian vegetable imports into New York State. I realize this does not come under the jurisdiction of this committee. However, I cannot emphasize how serious this problem is. New York State vegetable farmers are suffering. I would hope that our new U.S. Trade Representative, Dr. Clayton Yeutter, will see fit to visit Central New York to listen to the concerns that our farmers have regarding the Canadian import problem. To help facilitate this opportunity, I have recently cosponsored, H.Con. Res. 136, a resolution designed to increase the awareness of this critical issue. It specifically urges the President and his trade representative to negotiate with Canada to resolve the existing trade problems.

Soil conservation is another area of special concern to me. In my opinion, we must continue a strong soil conservation program that is designed to discourage producers from plowing fragile land. Again, I believe that HR 1965 addresses this issue realistically and effectively. The bill contains provisions for a 7-15 year conservation reserve program aimed at converting erosion-prone land now in crop production to less intensive uses. This, along with a provision aimed at linking eligibility for farm program benefits with nonproduction on highly erodible lands, will go a long way toward solving our serious soil erosion problems.

In closing, I would like to emphasize that while I believe this bill offers the best chance to return profitability to U.S. agriculture, it is by no means the ultimate solution. Equally as important as a sound agriculture policy, is progress in reducing the budget deficit. Reduced deficits will lower interest rates, which, in turn, will minimize many of the disadvantages U.S. farmers face in the international market. Nonetheless, I believe this bill provides a realistic framework from which to formulate the 1985 Farm Bill.

I thank everyone for attending and for contributing in whatever way toward formulating this important piece of legislation. After today's hearing, I hope the Committee will more clearly understand the concerns of Central New York farmers and will take those concerns back with them to Washington.

Alfonse D'Amato

STATEMENT OF SENATOR ALFONSE M. D'AMATO

HOUSE COMMITTEE ON AGRICULTURE

HEARING ON 1985 FARM BILL

SYRACUSE, NEW YORK 10 A.M. 5/17/85

FIRST, I WOULD LIKE TO COMMEND YOU, MR. CHAIRMAN, FOR AGREEING TO MY REQUEST TO BRING YOUR COMMITTEE HERE, TO NEW YORK STATE, TO HOLD THIS SERIES OF HEARINGS ON THE 1985 FARM BILL. IT HAS BEEN OVER A DECADE AND A HALF SINCE A HOUSE OR SENATE AGRICULTURE COMMITTEE HAS HELD SUCH A HEARING IN NEW YORK. OUR FARMERS HAD BEGUN TO WONDER WHETHER THE CONGRESS HAD FORGOTTEN ABOUT US.

I AM PROUD OF NEW YORK STATE'S AGRICULTURAL HISTORY. MANY AMERICANS RECOGNIZE NEW YORK AS THE FINANCIAL CAPITAL OF THE WORLD, THE HOME OF GREAT SPORTS TEAMS, AND THE STATE

WHERE SKYSCRAPERS STAND SIDE BY SIDE TOUCHING THE SKY. FEW PEOPLE, HOWEVER, REALIZE THAT THE NUMBER ONE INDUSTRY IN NEW YORK STATE IS AGRICULTURE, WHICH IS RESPONSIBLE FOR ONE OUT OF EVERY FOUR JOBS. FEWER PEOPLE KNOW THAT MANY OF NEW YORK'S PRODUCTS RANK IN THE TOP TEN IN THE NATION FOR PRODUCTION. NEW YORK IS THE THIRD LARGEST DAIRY PRODUCING STATE IN THE U.S. AND THE SECOND LARGEST PRODUCER OF APPLES AND GRAPES.

WE HAVE IT ALL IN NEW YORK, BUT OUR AGRICULTURE REMAINS OUR BEST KEPT SECRET. SLOWLY, HOWEVER, THE WORD IS SPREADING. FOR THE PAST THREE YEARS, I HAVE HELD "FARM HARVEST DAY" EACH AUTUMN IN WASHINGTON. THIS HAS PROVIDED A FORUM FOR OUR STATE'S FARMERS TO SHOWCASE THEIR PRODUCTS AND TO LET MY COLLEAGUES IN THE SENATE AND THE HOUSE IN ON NEW YORK'S SECRET. MANY OF THEM NOW REALIZE THE TRUE NATURE AND DIVERSITY OF NEW YORK STATE. WE HAVE BEEN SUCCESSFUL, AND, I SURMISE, THAT IS PARTLY WHY THIS HEARING IS BEING HELD IN SYRACUSE TODAY.

HOWEVER, ALL IS NOT WELL WITH NEW YORK AGRICULTURE. FARMERS ARE FACED WITH AN OVERPRODUCTION OF GRAPES, AN

INCONSISTENT AND INADEQUATE DAIRY POLICY ON THE FEDERAL LEVEL AND IMPERFECT TRADE RELATIONS WITH OUR CANADIAN NEIGHBORS. THESE ARE SOME OF THE TOPICS THAT WE MUST ADDRESS TODAY.

NEW YORK FARMERS ARE ENGAGED IN A BITTER TRADE CONFLICT WITH CANADIANS WHO INSIST ON BRINGING THEIR PRODUCTS INTO THE UNITED STATES AND SELLING THEM AT PRICES AT WHICH WE CANNOT COMPETE. IF THE LACK OF COMPETITION WAS DUE TO INEFFICIENT FARMING PRACTICES ON THE PART OF NEW YORK FARMERS, I WOULD NOT BE UPSET. HOWEVER, WHEN I DISCOVERED THAT THE REASON OUR FARMERS COULD NOT COMPETE WAS DUE TO FINANCIAL SUBSIDIES AND GRANTS PROVIDED BY THE CANADIAN GOVERNMENT TO ITS FARMERS, MY BLOOD BEGAN TO STIR. I AM OUTRAGED. AND I CAN TELL YOU THAT THIS IS ONE UNITED STATES SENATOR THAT WILL NOT SIT IDLY BY.

I RECENTLY MET WITH TOP AGRICULTURE POLICY MAKERS FROM CANADA. I ASKED WHETHER THE FEDERAL AND PROVINCIAL GOVERNMENTS WERE PROVIDING TRANSPORTATION AND OTHER SUBSIDIES TO FARMERS. EMPHATICALLY, I WAS TOLD "NO."

I AM NOT CONVINCED. OUR FARMERS PROVIDE THE BACKBONE OF OUR ECONOMY AND I WILL NOT REST WHILE FOREIGN COMPETITION

DUMPS ITS HORTICULTURAL PRODUCTS IN OUR MARKET. I WAS ASTOUNDED AND ANGRY TO LEARN THAT, OVER THE PAST SEVERAL YEARS, CANADIAN POTATO IMPORTS HAVE GROWN A STAGGERING 300%.

THE CANADIANS TOLD ME THAT AGRICULTURE CANADA DOES NOT PROVIDE SUBSIDIES, AND YET, AS RECENTLY AS 1980, THE CANADIAN BOARD OF ECONOMIC DEVELOPMENT MINISTERS PUBLISHED THE FEDERAL GOVERNMENT'S DIRECTORY OF BUSINESS ASSISTANCE PROGRAMS, SERVICES, AND INCENTIVES. THESE PROGRAMS INCLUDE EXPORT LOANS AND GUARANTEES, EXPORT MARKET DEVELOPMENT, PROMOTIONAL PROJECTS, TRANSPORTATION SUBSIDIES, STABILIZATION PROGRAMS, INTEREST-FREE LOANS, AND LOW-INTEREST STORAGE CONSTRUCTION LOANS.

SUBSIDY PROGRAMS THAT ARE ADMINISTERED ON THE PROVINCIAL LEVELS INCLUDE: ORDERLY MARKETING OF VEGETABLES THROUGH DESIGNATED SALES AGENCIES, PROMOTION, PUBLICATION OF A WEEKLY RECOMMENDED PRICE LIST, REGULATION OF MOVEMENT THROUGH QUOTAS, POOLING OF RETURNS TO ENSURE A FAIR RETURN TO ALL PRODUCERS, MARKETING INFORMATION AND INCOMING AND OUTGOING TRADE MISSIONS.

THE LIST GOES ON. BUT, THE CANADIANS ASSURED ME THAT THERE ARE NO SUBSIDIES!

ON MAY 8, SECRETARY BLOCK MET WITH CANADIAN AGRICULTURE MINISTER JOHN WISE TO DISCUSS AGRICULTURAL TRADE AND POLICY MATTERS. ONE OF THE ITEMS THEY BOTH AGREED TO WAS "A JOINT COMMITTMENT TO FAIRER TRADE AND, TO DO WHAT IS NECESSARY TO IMPROVE MARKET ACCESS AND TO REDUCE TRADE DISTORTIONS SUCH AS EXPORT SUBSIDIES." BUT, THE CANADIANS ASSURED ME THAT THERE ARE NO SUBSIDIES!

WELL, MR. CHAIRMAN, I AM FAR FROM BEING CONVINCED. AGRICULTURE CANADA IS A SEMANTICIAN. SIMPLY, THE CANADIANS ARE TRYING TO DISGUISE BLATANT SUBSIDIES BY LABELING THEM "ASSISTANCE PROGRAMS." HOWEVER, NO MATTER WHAT NAME IS GIVEN TO THESE PROGRAMS, IF THEY HAVE THE EFFECT OF PROVIDING PARTICULAR COMMODITIES A PREFERENCE OR THEY BENEFIT A PARTICULAR GROUP OR INDUSTRY, THEN THEY ARE SUBSIDIES.

NEW YORK FARMERS ARE FIGHTERS AND FIERCE COMPETITORS. INDIVIDUALLY, HOWEVER, OUR FARMERS SHOULD NOT, AND MUST NOT, BE FORCED TO COMPETE AGAINST THE TREASURIES OF OTTAWA AND THE PROVINCES.

IN RESPONSE TO THE FRUSTRATION AND ANGER I FEEL TOWARDS OUR NEIGHBORS TO THE NORTH, I INTRODUCED "THE FRESH VEGETABLES AND POTATO TRADE ACT" (S.101). MY BILL WILL PLACE A COMMODITY SURTAX ON CANADIAN IMPORTS WHEN THE SECRETARY OF AGRICULTURE DETERMINES THAT THEY ARE HAVING AN INJURIOUS EFFECT ON THE U.S. MARKET.

THIS LEGISLATION PROMOTES THE MOST APPROPRIATE ACTION TO TAKE WHEN CONFRONTED WITH UNFAIR FOREIGN COMPETITION. MY BILL DOES NOT DIRECT THE SECRETARY TO TAKE ANY ACTION EXCEPT IN RETALIATION FOR ACTIONS ALREADY TAKEN BY A FOREIGN GOVERNMENT. WE MUST MAKE IT UNPROFITABLE FOR ANY FOREIGN NATION THAT ATTEMPTS TO INJURE SUCH A VITAL AND IMPORTANT SEGMENT OF OUR ECONOMY. THE UNITED STATES SHOULD MAINTAIN ITS LONGSTANDING POLICIES OF OPEN AND FREE TRADE, BUT ONLY IF WE RECEIVE THE SAME EQUAL AND FAIR TREATMENT FROM OUR TRADING PARTNERS.

THE DAIRY PROVISION OF THE 1985 FARM BILL IS VITAL TO OUR DAIRY PRODUCERS. NEW YORK DAIRYMEN PRODUCED MORE THAN 11.6 BILLION POUNDS OF MILK IN 1983 FOR A TOTAL SALES VALUE OF MORE THAN $1.6 BILLION. IN NEW YORK STATE, DAIRY FARMS ACCOUNT FOR MORE THAN 50% OF ALL FARMS.

1985 IS AN IMPORTANT YEAR FOR DAIRY. THESE HEARINGS MARK THE BEGINNING OF CONGRESSIONAL ACTION TO DRAFT A COMPREHENSIVE FARM BILL THAT WILL HAVE AN IMPACT ON AGRICULTURE FOR YEARS TO COME. THE CURRENT PRICE SUPPORT SYSTEM HAS BEEN IN EFFECT FOR MORE THAN 30 YEARS. IT HELPS US MEET DOMESTIC AND INTERNATIONAL DEMANDS FOR FOOD, WHILE MITIGATING THE ADVERSE EFFECTS OF PRICE FLUCTUATIONS ON FARMERS. THIS SYSTEM HAS PROVEN ITS EFFECTIVENESS; IT HAS MET THE TEST OF TIME.

HOWEVER, THERE ARE SOME INDIVIDUALS IN THE ADMINISTRATION WHO WOULD LIKE TO TERMINATE THE PRICE SUPPORT SYSTEM. THEY WRONGLY BELIEVE THAT THE DAIRY FARMER IS GETTING A "FREE RIDE." I DISAGREE. IT IS MY BELIEF THAT A DRASTIC REDUCTION IN THE PRICE SUPPORT PROGRAM WOULD CAUSE

IRREPARABLE HARM TO OUR DAIRY PRODUCERS. A MORE SENSIBLE APPROACH IS TO PURSUE A POLICY RELATED MORE TO THE MARKET AND LESS TO THE POLITICAL CLIMATE. I BELEIVE THAT MOST NEW YORK DAIRYMEN WANT SUCH A POLICY. PRODUCERS WOULD RATHER RECEIVE THEIR INCOME FROM THE MARKETPLACE THAN FROM THE FEDERAL GOVERNMENT. TO TRAMPLE THE ENTIRE DAIRY SUPPORT CONCEPT WOULD BE A TRAVESTY AND AN INJUSTICE.

IT IS FOR THESE REASONS THAT I SUPPORT THE DAIRY PROVISIONS OF THE AMERICAN FARM BUREAU'S 1985 FARM BILL (S.908). THESE PROVISIONS PROVIDE A VIABLE POLICY TO DAIRY FARMERS FOR THE NEXT FOUR YEARS. OUR FARMERS WILL BE ASSURED A REASONABLE AND FAIR RETURN FOR THEIR MILK, AS WELL AS SUFFICIENT LEEWAY FOR ADJUSTMENT OF THE PRICE EVERY SIX MONTHS IF THE SECRETARY OF AGRICULTURE PROJECTS AN INCREASE IN NET GOVERNMENT PRICE SUPPORT PURCHASES.

THE FARM BUREAU PROVISION PROPOSES SETTING THE PRICE SUPPORT AT 90% OF THE PREVIOUS 3 YEAR AVERAGE MARKET PRICE. IF WE WERE TO BEGIN TODAY, THE PRICE SUPPORT WOULD BE $11.98, WHICH IS LOWER THAN THE PRESENT PRICE SUPPORT OF $12.10.

EACH APRIL AND OCTOBER THIS WOULD BE ADJUSTED BASED UPON GOVERNMENT PURCHASES. USING THIS FORMULA, IT IS ESTIMATED THAT THE SUPPORT PRICE FOR 1986 WOULD FALL TO $11.50

THIS WILL EFFECTIVELY TIE THE PRICE SUPPORT TO THE MARKET, AND, THEREFORE, ESTABLISH A MORE REALISTIC PRICE FOR MILK. NEW YORK DAIRYMEN CAN SELL THEIR MILK AT FAIR PRICES, AND THEY WILL!

THIS MARKET-ORIENTED APPROACH CANNOT BE ACCOMPLISHED OVERNIGHT. HOWEVER, WITH A LONG TERM CONSISTENT AGRICULTURAL POLICY, IT CERTAINLY IS ACHIEVABLE.

A SIMILAR SITUATION IS PRESENT IN THE WINE INDUSTRY. THE UNITED STATES IS FLOODED WITH FOREIGN IMPORTS WHILE, WITHIN NEW YORK STATE, WE HAVE A SURPLUS OF GRAPES. THE HIGH VALUE OF THE DOLLAR AND THE HISTORICAL INEQUITY IN THE WINE TRADE ACCOUNT FOR THESE IMPORTS ARE RESPONSIBLE FOR THIS SITUATION. MANY OF THE COUNTRIES WHICH EXPORT SIGNIFICANT QUANTITIES OF WINE TO THE U.S. PLACE RESTRICTIVE AND NON-TARIFF TRADE BARRIERS ON AMERICAN IMPORTS ENTERING THEIR COUNTRIES.

WE MUST SEEK RECIPRICAL FAIR TRADE WITH THESE COUNTRIES. DURING THE 98TH CONGRESS, I COSPONSORED LEGISLATION TO ENCOURAGE EQUITY BY GUARANTEEING THAT FOREIGN WINES WOULD BE ADMITTED INTO THE UNITED STATES ON THE SAME BASIS AS OUR WINES ARE ADMITTED INTO OTHER NATIONS. FOREIGN PRODUCED WINES ENJOY EASY ACCESSIBILITY TO THE U.S. MARKET. SINCE ONLY A "WATERED-DOWN" VERSION OF THE ORIGINAL BILL WAS SIGNED INTO LAW, WE MUST CONTINUE TO FIGHT FOR BALANCED INTERNATIONAL WINE TRADE.

NEW YORK PRODUCES EXCELLENT WINES, BUT THE CONSUMER MAY BE TEMPTED TO PURCHASE A FOREIGN WINE IF ITS COST IS SUBSTANTIALLY LESS. WE ARE NOT ASKING OUR TRADING PARTNERS FOR ANYTHING OTHER THAN THE TRADE POLICIES THAT THE U.S. EXTENDS TO THEM.

IN 1984, NEW YORK STATE PRODUCED 198,000 TONS OF GRAPES AND AGRESSIVELY RECAPTERED THE #2 POSITION FOR TOTAL PRODUCTION OF GRAPES IN THE U.S. HOWEVER, WE ARE CURRENTLY FACING A GRAPE SURPLUS. OVER THE PAST SEVERAL YEARS, GRAPE GROWERS HAVE HAD EXTRAORDINARY HARVESTS. THIS HAS CAUSED THE

PRICE OF GRAPES TO DROP FROM $247 A TON IN 1983 TO $152 A TON IN 1984. UNFORTUNATELY, THIS TREND IS PREDICTED TO CONTINUE.

I WAS ALSO DISHEARTENED BY THE RECENT FEDERAL APPEALS COURT'S DECISION PROHIBITING THE SALE OF NEW YORK WINE COOLERS IN GROCERY STORES AS VIOLATING THE INTERSTATE COMMERCE CLAUSE. ON THE OTHER HAND, THE USDA HAS ADDED GRAPE JUICE TO THE LIST OF ACCEPTABLE PRODUCTS FOR THE WOMEN, INFANTS AND CHILDREN (WIC) PROGRAMS IN NEW YORK. FEDERAL NUTRITION AND FEEDING PROGRAMS PROVIDE AN EXCELLENT MARKET FOR OUR GRAPES AND I ENCOURAGE THE SECRETARY OF AGRICULTURE TO PERMIT NEW YORK TO PARTICIPATE IN THEM.

AGRICULTURE IS AT A CROSSROADS. 1985 MUST BE THE YEAR THAT CONGRESS IMPLEMENTS LEGISLATION THAT WILL BENEFIT AGRICULTURE IN THE YEARS TO COME. I BELIEVE THESE HEARINGS PROVIDE AN IMPORTANT VEHICLE TO VOICE THE CONCERNS OF THE NEW YORK FARMER AND AN EXCELLENT REFERENCE POINT FROM WHICH WE CAN BEGIN TO DRAFT CRITICAL LEGISLATION.

MR. CHAIRMAN, I THANK YOU FOR COMING TO THE EMPIRE STATE AND I COMMEND YOU FOR YOUR EFFORTS IN THE AREA OF AGRICULTURE. I KNOW THAT YOU WILL NOT PERMIT ANOTHER DECADE AND A HALF TO SLIP BY BEFORE YOU AND THE COMMITTEE RETURN TO NEW YORK.

THANK YOU, MR. CHAIRMAN.

(Attachment follows:)

QUERIES

1. DO YOU BELIEVE THAT ADJUSTMENTS IN THE PRICE SUPPORT SYSTEM WILL HELP GET THE DAIRY INDUSTRY BACK ON ITS FEET? WHAT OTHER ACTIONS CAN THE FEDERAL GOVERNMENT TAKE TO ASSIST DAIRY FARMERS?

2. THE GRAPE INDUSTRY IS EXPECTED TO HAVE A SURPLUS FOR THE NEXT SEVERAL YEARS. FEDERAL PROGRAMS, LIKE THE WIC AND CHILD FEEDING PROGRAMS ARE MARKETS OPEN TO GRAPE GROWERS. WHAT PROJECTS OR PROGRAMS CAN THE PRIVATE AND PUBLIC SECTORS, IN PARTNERSHIP, IMPLEMENT TO PROVIDE ADDITIONAL MARKETS FOR GRAPES?

3. THE CANADIANS DENY PROVIDING ANY SUBSIDIES TO THEIR FARMERS. DO YOU HAVE ANY CONTACTS WITH CANADIAN FARMERS WHO ADMIT OR INDICATE THAT SUBSIDIES ARE AVAILABLE ON EITHER THE FEDERAL OR PROVINCIAL LEVELS?

TESTIMONY BY COMMISSIONER JOSEPH GERACE
NEW YORK STATE DEPARTMENT OF AGRICULTURE & MARKETS
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE
ART AND HOME CENTER, STATE FAIRGROUNDS
SYRACUSE, NY
10:00 AM, FRIDAY, MAY 17, 1985

I am Joseph Gerace, and I am Commissioner of the New York State Department of Agriculture and Markets.

On behalf of Governor Mario Cuomo and the agricultural community of New York, I want to welcome the Members of this Committee and its staff to New York, and I want to offer our special thanks to you for holding hearings in New York State, in Syracuse today and New York City tomorrow.

The work of this Committee, as you deliberate the fate of the farmers of New York, and of the Nation, will be of special importance this year. I cannot overstate the hardships the agricultural community has faced in the past couple of years, and I cannot overemphasize the economic dangers that face our farmers in coming years.

Agriculture is one of New York's largest industries, with nearly $3 billion in annual farm receipts. New York has more than 48,000 farmers who farm on more than 9 million acres of land, and who produce an impressive variety of products. Our farms employ about 100,000 people. Ninety-nine per cent of New York farms are owned and operated by farm families.

And there's more. New York's agriculture and food industries combined are a $10 billion industry, employing 500,000 people. There is no community in the State of New York untouched by farming and the food industry.

Dairy farming is the sector of New York's agricultural industry most affected by the federal Farm Bill. New York ranks third in the nation in dairy farming. We produce 11.5 billion pounds of milk per year, with an annual farm value of $1.7 billion. In 1983, New York produced 8.3 per cent of the nation's milk. We are the leading dairy state in the Northeast. We produce 44 per cent of the region's milk, and surrounding states reach into New York for milk to supply their markets.

New York's agriculture is also diverse. We rank second in apple production, and as a consequence of our large dairy industry, third in veal. We are third in tart cherries and grapes. We are fifth in the production of fresh vegetables, and sixth in vegetables for processing. In field crops, we are important producers of roughage, corn for grain, and potatoes.

Our diversity is important to the economic stability of New York's agricultural economy. But it also means that federal farm policy, and the work of this committee, will have broad impact in New York.

This year is crucial. In New York, net farm income is half of what it was four years ago. Try to imagine, if you will, living on half of what you earned in 1981. I know conditions are more or less the same everywhere, and I see little improvement in 1985.

The Springfield District of the Farm Credit Banks conducts an annual survey of dairy farms in their area, which includes New York, New England, and New Jersey. This year, they found that net earnings of the average dairy farmer fell below the break-even level in 1984, meaning that depreciated equipment and other assets cannot be fully replaced.

The survey also found that net farm income fell to the lowest level in seven years. These are the funds farmers use for family living expenses, to pay down principal on debts, to buy capital items, and to expand the business. Reserve debt capacity is also down. The average dairy farmer in the survey has depleted his reserve for additional borrowing. And capital spending is down.

Now let me say something about the economic relationships between farmers, the agri-food industry, and rural communities. I think it's important to an understanding of the impact of federal farm legislation.

We did a study in a rural county in upstate New York that showed us how basic our agricultural economy is to our whole economy. In fact, it was Cayuga County, a beautiful county just west of Syracuse. Roughly one fifth of the firms in the county were food and agricultural businesses, providing about one fifth of the jobs and wages. This does not include the farms themselves, or the impact of farm business on lenders and insurance agencies.

We think this is very significant, and I ask you to consider it in the light of the information I have just cited about farm income, debt capacity, and capital spending. It is crystal clear that economic damage to farmers does economic damage to the entire community-at-large.

If our family farms are damaged, think of the terrible effect. But if, by working together, we can build farm income, think of the powerful benefits for the whole community.

So as you consider this year's Farm Bill, I urge you to consider it not just as a bill for farmers, but as an economic development bill for each and every community within our nation.

Impact of the Federal Dairy Program on New York

Dairy farming is particularly important to New York. It accounts for about 60 per cent of our farm income. Let me rehearse some of the trends in dairy farming. Nationally, there were about 3 million dairy farms in 1960. Today there are fewer than 300,000. In 1960, New York had about 42,000 dairy farms. Today there are about 15,000. Yet production per dairy farm has nearly tripled during the same period.

Fewer cows, fewer dairy farms, more milk. These are the major trends and it appears that they will continue. In fact, as new agricultural technologies appear on the commercial market, such as the use of bovine growth hormone, these trends may accelerate, with substantial and potentially devastating impact on small and mid-size farms.

These are the trends we ask this committee to bear in mind as you decide the 1985 farm bill.

The farm price of milk in New York has been flat to declining slightly since 1981. The Federal Order 2 blend price was $13.39 in 1981, and $13.03 in 1984. The actual price to farmers was lower, due to the fifty cent and one dollar assessments of 1983 and 1984. The estimate for 1985 declines to $12.79.

Meanwhile, the index of prices paid by farmers increased by 12 per cent from January, 1981, to December, 1984. Higher farm costs and lower prices for milk have squeezed many dairy farmers nearly to the breaking point. Some may have obtained temporary relief from the Paid Diversion program; all have tightened their belts; most have increased efficiency; and some have stopped farming.

We estimate that, under the dairy diversion - assessment program of the 1983 Dairy and Tobacco Adjustment Act, New York dairy farmers paid $75 million in assessments and will have received $37 million in diversion payments. About $38 million flowed out of New York to pay dairy producers in other parts of the country to cut back their output.

During this time, the number of New York dairy farms declined by 400, and the Federal Order 2 Milk Market Administrator invoked the call provision to assure an adequate supply of fluid milk in our region.

CCC purchases for 1984 were 8.6 billion pounds milk equivalent, and cost $1.6 billion in FY 1984. National milk production declined 2.8 per cent in 1984 from 1983. New York milk production declined nearly three per cent during the same period, while California milk production increased 3.2 per cent. The dairy diversion-assessment program obviously had an impact that differed significantly from region to region.

What's the outlook? Murky, I would say, and not good. Under the Reagan Administration dairy proposal, the support price would be cut in several steps, possibly to as low as $10.60 per hundredweight. There would be a move from support prices to target prices on October 1, 1987.

Now, let's go back a step. USDA estimates that total cash expenses may average about $10.73 per hundredweight for 1984, already well above the $10.48 target price for 1987. Moreover, a cash expense of $10.73 leaves no money for dairy farmers to live on. Farm expenses are unlikely to decline. Thus we can see that thousands of dairy farmers will go bankrupt long before the market price of milk drops to $10.48 or lower.

The Administration program will lead to a cycle of low prices, driving dairy farmers out of business, then to tighter milk supplies and rising prices, encouraging more production and driving prices down again. There would be fewer farms, larger farms, and I have to tell you, substantially increased hardship in our rural communities.

Dairy Recommendations

I have some recommendations that differ from the Reagan Administration's.

-- The 1985 Farm Bill should provide for a long-term dairy price support program assuring dairy farm families of a stable price for milk even under adverse supply-demand conditions. CCC purchases should be continued but modified so that milk support price adjustments can avoid major CCC surplus purchases.

-- Supply-demand adjustments should automatically relate the support price level to the volume of government purchases, allowing the support price to decline when CCC purchases increase, and to increase when CCC purchases decline. The implementation of a supply-demand adjustment program must be gradual. If fluid milk shortages continue in regions of the country that have strong fluid milk markets, then consideration should be given to increasing the Class 1 price differential, to encourage milk production near population centers.

-- Dairy import quotas should be continued and consideration be given to including casein under the Section 22 quota.

-- Funding for the USDA Special Milk Program should be restored and continued. This program does two things and does them well. It provides nutritional benefit to needy children in schools and is an important outlet for substantial quantities of fluid milk.

-- Congress should require the Food and Drug Administration to revise their present standards for imitation cheese products. The present "nutritionally equivalent" standard is unfair to the natural cheese industry, deceives consumers, and has helped producers of imitation cheese gain a large part of the cheese market.

-- The producer-funded national dairy promotion program should be continued through a national referendum vote. We would also encourage increased market development and product development programs for dairy products. Aggressive federal programs would offer our producers new opportunities for their products.

-- We must begin to understand more clearly the impact of the small and mid-size full-time, commercial farms on local economies. And we must find some mechanism to support them in the face of farm business cycles like the one we are in now. Driving farmers out of business does tangible damage to rural and urban economies. I am convinced that we must find a way to maintain farm family income during the down side of the cycle, so that they will be able to contribute to our economy on the up side.

Agricultural Trade

Now I want to turn to agricultural trade policy. We support aggressive market development programs to increase exports. I encourage this committee to advocate increased food aid programs under PL 480 -- Food For Peace -- and for two purposes: humanitarian benefits to parts of the world not as fortunate in food production as the U.S., and to provide long-term agricultural market development for our farmers. A greater share of foreign assistance should be given in food.

Agricultural trade is critical to the U.S. farm industry and to our national balance of trade. We should encourage adoption of an agriculture trade policy that treats all commodities fairly.

The income of New York farmers has been hurt by imports of vegetables from our neighbor to the north, Canada, whose farmers benefit, not only from provincial government subsidies, but from U.S. policies resulting in an overvalued dollar. To give just one example, New York State unloads of Canadian potatos increased 1400 per cent from 1977 to 1982.

Our farmers need better means of addressing the problems of subsidized agricultural imports. The present anti-dumping petition process of the International Trade Commission is too costly and time-consuming for most farmers, particularly for many producers of the so-called minor commodities, onions or carrots, for example.

We would support legislation that provides financial and technical assistance to farmers seeking remedies for subsidized agricultural imports. We would also support a fast-track system for addressing agricultural trade problems.

Agricultural Research and Development

Agricultural research and development has made dramatic changes in farming. I think it's fair to say that there have been more changes in farming in the last fifty years than in the previous 500. We need to be sure the results of agricultural R & D are equitably available to all farmers, regardless of the size of their farms.

I'm thinking specifically again of the bovine growth hormone that may result in a 30 per cent increase in milk production with a corresponding decline in the number of cows needed. There are other examples. The risk is that the commercial benefits of such research will be available only to the larger, richer operations, thus unfairly squeezing out smaller operations and leading to concentrated farm ownership.

Increased efforts must be made to help small and mid-size farms adopt new technologies before it's too late. And USDA programs should be refocused to help young farm families maintain efficient and profitable farm operations.

Soil and Water Conservation

Some of the most serious problems with the Reagan Administration farm program lie in the cuts in soil conservation programs. Yet it is precisely here that we need to care most for the future. Soil and water conservation funding and programs must be on a long-term basis, and integrated with federal price support programs through "sod-buster" legislation to discourage production on land vulnerable to erosion and depletion.

Cuts in the Soil Conservation Service concern us deeply in New York. The Administration proposed to reduce the funds for conservation technical assistance by 43 per cent, and proposed to concentrate on problems of soil erosion and limited water supply, which are less troubling to Northeastern farmers than farmers elsewhere. Substantial cuts would also be made in the Soil Survey program. We urge that Soil Conservation Service activities be funded.

Ground water and surface water levels are a major problem in many states. The depletion or pollution of these resources is not the answer to the need for increased or more efficient food production. Our soil and water conservation programs need to be strengthened to confront new environmental problems that threaten water resources and limit potential agricultural production, and to give farmers help with old problems such as drainage in Northeastern soils,

Congress should work with the states to fund an aggressive integrated pest management program involving new biological and cultural practices to allow the farmer to reduce the amount of pesticides used in agricultural production.

Federal Tax and Budget Policies

We are deeply concerned about the Reagan Administration proposal to eliminate the deductability of state and local taxes from federal income tax. This would leave fewer dollars in New York and other states for the development of agriculture, and for enabling farmers and agribusinesses to compete in national and world markets.

Many people, a growing number, believe that federal tax policy has encouraged the concentration of farm ownership, the incorporation of farms, and shelters for off-farm income through farm losses. Again, it is the mid-size family farm that is most threatened by such trends, and it is precisely these farms that anchor many of our rural communities.

In September, 1984, the National Association of State Departments of Agriculture recommended that Congress appoint a joint select committee to study the impact of federal tax policy on the structure of American agriculture. I support this recommendation.

Agriculture is vulnerable to international economic events and national economic policy. Record federal budget deficits have given farmers dramatically increased interest payments and an overvalued dollar that have reduced agricultural exports and increased agricultural imports. Farm income will not return to reasonable levels for all farmers until the federal deficit is reduced, and interest rates decline.

Long-Term Farm Policy

Long-term farm policy is critical to allow our farmers and agri-businesses to plan for the future. The time has come to end our short-term approach to national farm policy. There is no community, no household, no individual in the United States that is untouched by the economics of farming and food production. And there is no community in the world that is not touched by American agricultural policy.

I urge the Senate to consider, with the House, the creation of a commission to investigate and recommend a long-term agricultural policy for the United States.

In New York, we have just released a major study of New York agriculture, entitled New York Agriculture 2000, as a first step in our own long-range planning, and I know other states are also engaged in similar planning. We have also just released the first strategic marketing plan for New York's agribusiness community.

But we must have a long-term national approach, not only for our own security, but for the stability and peace of the world. The American public now recognizes, more than ever, the role of agriculture in our national life. This is a good time, and a good season, to make a fresh start.

Thank you.

0091L

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TO FOSTER THE POTATO INDUSTRY IN NEW YORK STATE

The Empire State Potato Club Inc. supports the continuation of the U.S.D.A. field surveys for the Golden Nematoda. This is necessary to determine infected fields so that the Golden Nematoda can be treated and its spread controlled.

The Empire State Potato Club Inc. strongly supports the continued funding of potato breeding programs and the development of Golden Nematoda resistent varieties by both Cornell University and the U.S.D.A. Several new varieties have been released and show good potential.

The Empire State Potato Club Inc. would like to remind the committee that farmers need continued supply of chemical pesticides for the economic production od food.

In conclusion the New York potato growers look for continued consideration and support from Congress.

Thomas Ayers, President
Empire State Potato Club Inc.
Thomas Ayers

TESTIMONY

of

ASSEMBLYMAN RICHARD I. COOMBE
(Member of the New York State Assembly,
Legislative Office Building,
Albany, New York 12248)

regarding

1985 FARM BILL

before the

U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON AGRICULTURE

Friday, May 17, 1985
New York State Fairgrounds Auditorium
Syracuse, New York

Testimony submitted by Assemblyman Coombe on behalf of Members of the Assembly:

C.D. "RAPP" RAPPLEYEA
Assembly Minority Leader
ANTHONY J. CASALE
RAY T. CHESBRO
GLENN H. HARRIS
JOHN R. KUHL
C.D. LARRY LANE
H. SAM MacNEIL
HY MILLER
RICHARD MILLER
H. ROBERT NORTZ
MICHAEL NOZZOLIO
JOSEPH SAWICKI, JR.
WILLIAM R. SEARS
JOHN SHEFFER
FRANK G. TALOMIE
RICHARD WESLEY
GEORGE H. WINNER, JR.

GOOD MORNING, LADIES AND GENTLEMEN. I AM NEW YORK STATE ASSEMBLYMAN RICHARD COOMBE, RANKING REPUBLICAN MEMBER ON THE ASSEMBLY AGRICULTURE COMMITTEE.

I AM AN ACTIVE BEEF AND CROP FARMER WHO REPRESENTS A DISTRICT WHICH IS SIGNIFICANTLY AGRICULTURAL.

AS THE FIRST OF SEVERAL ASSEMBLY MEMBERS TO TESTIFY THIS MORNING, I THANK YOU, MR. de la GARZA FOR RESPONDING TO OUR REQUEST TO HOLD FIELD HEARINGS IN NEW YORK AND I WANT TO WELCOME YOU TO THE EMPIRE STATE.

THE VIEWS WHICH I EXPRESS TODAY ARE SHARED BY MANY OF MY COLLEAGUES IN THE NEW YORK STATE LEGISLATURE. WE ARE JUSTIFIABLY CONCERNED WITH THE AGRICULTURAL SITUATION IN THIS COUNTRY.

DEBT SERVICE IS SECOND ONLY TO FEED COSTS ON U.S. FARMS. THIS IS A STAGGERING FACT THAT MUST BE ADDRESSED IF FARMING IS TO REMAIN A VIABLE INDUSTRY IN THIS COUNTRY. THE CAUSE OF THIS INCREASINGLY DANGEROUS SITUATION IS OUR LARGE FEDERAL DEFICIT. DESPITE PROFOUND IMPLICATIONS OF THIS ISSUE UPON NEW YORK STATE AND THE REGIONAL ECONOMY OF THE NORTHEAST, THERE IS NOTHING THAT WE IN STATE GOVERNMENT CAN DO BEYOND FRAMING THE SERIOUSNESS OF THE SITUATION FOR WASHINGTON DECISION-MAKERS. THE FARM BILL MUST BE CONSTRUCTED TO ALLOW FAIR AND EQUITABLE TREATMENT AMONG COMMODITIES, YET BE FISCALLY PRUDENT ENOUGH TO ALLOW AGRICULTURAL PRODUCERS TO SHOULDER THEIR FAIR SHARE OF THE OVERWHELMING DEFICIT.

SPENDING MORE MONEY IS NOT THE ANSWER TO SOLVING THE COMPLEX PROBLEMS FACING AGRICULTURE. WE SPENT IN EXCESS OF $14 BILLION LAST YEAR ON FARM PROGRAMS AND OUR FARM SITUATION IS THE WORST IT HAS BEEN SINCE THE 1930'S.

RESEARCH IN THE FIELD OF AGRICULTURE WILL BE OF CRITICAL IMPORTANCE IN THE YEARS TO COME. I STRONGLY BELIEVE THAT THE 1985 FARM BILL SHOULD SUPPORT RESEARCH EFFORTS ON A STATE AND NATIONAL LEVEL. OUR FARMERS ARE FACED WITH NARROWER INCOMES EVERY YEAR AND NEW TECHNOLOGY IS ONE OF THE WAYS TO EASE THIS BURDEN.

NEW YORK AND THE REST OF THE NORTHEAST ARE A UNIQUE PART OF THIS COUNTRY'S AGRICULTURAL INDUSTRY. WE ARE LOCATED ON TOP OF ONE OF THE LARGEST, MOST AFFLUENT MARKETS IN THE COUNTRY.

ALTHOUGH THERE IS A NATIONAL SURPLUS OF MILK, WE IN NEW YORK HAVE A SHORTAGE OF FLUID MILK. THE ADMINISTRATOR FOR THE NEW YORK-NEW JERSEY FEDERAL MILK MARKETING ORDER NUMBER TWO ISSUED A CALL ORDER THIS PAST WINTER THAT REQUIRES HANDLERS TO SELL MORE MILK TO THE FLUID MARKET. THIS WAS ONLY THE SECOND TIME SINCE 1947 THAT THIS ACTION HAS BEEN NECESSARY.

A BLANKET POLICY FOR THE DAIRY INDUSTRY'S SURPLUS HAS AN ADVERSE AFFECT ON NEW YORK DAIRY FARMERS. I URGE YOU TO RECOMMEND TO THE SECTARY OF AGRICULTURE AN INCREASE IN THE TRANSPORTATION DIFFERENTIAL.

THE 1985 FARM BILL IS CRITICAL LEGISLATION. WE ARE ALL FAMILIAR WITH THE FAULTS OF THE PAST LEGISLATION (FOR EXAMPLE, INFLEXIBLE PRICES). I SINCERELY HOPE THIS BILL WILL BE DRAFTED SO IT CAN REACT TO CHANGES IN THE MARKETPLACE IN A MANNER THAT WILL KEEP THE INDUSTRY HEALTHY AND STABLE FOR MANY YEARS.

ON BEHALF OF MY LEGISLATIVE COLLEAGUES, I COMMEND YOU FOR HOLDING THIS HEARING AND APPRECIATE THE OPPORTUNITY TO TESTIFY.

Barbara Schell, Rt. 1 Box 309, Evans Mills, N.Y. 13637

Presented to Sec. Block on 6/18/84 at Ag Hearing for Northeast States held in Syracuse, N.Y.

It is time to remove politics from agricultural policies. Knowledgeable, responsible leadership must prevail. Only the immature man believes that you can get something from nothing. Unfortunately, this is the mind set of our politicians and general public when they think that the cheap food available in the United States can go on forever. No one questions how this can go on. How can food prices decline 1.2% when energy prices rise by 1.5%? This "stick your head in the sand" attitude is folly and dangerous.

Food is vital to our existence. When the food industry is in jeopardy, our very existence is at risk. A wise Mr. and Mr. America realizes that a healthy agricultural economy insures a secure future more than the cheap food policy of our past and present.

You ask: "What has gone wrong, and how may we improve the situation? Why do we have such surpluses?" In the dairy industry we have expanded too fast during very unstable economic times. As new technology came into being the progressive American farmers responded with great eagerness and with much encouragement from both private and government lending agencies. The lesser risk farmers borrowed from banks, and the greater risk farmers borrowed from the Farmer's Home Administration. Finally the American farmer thought that through technology he had a chance to live a life style approaching that of other hard working, educated, college or self-taught, Americans. This dream come true was short lived.

With the advent of the 1973 Arab oil embargo, higherenergy costs and the repidly rising interest rates of the late 70's, the American farmer literally became a slave to the times. He increased his efforts and production just to come closer to meeting costs. This has just spiraled upward to the present.

There is a bit of irony here. The greater risk farmer, whom commercial banks wouldn't loan money to, got set rate loans from FHA and were immuned from the cripling rising interest rates which were devastating the lesser risk farmers who were loaned money by commercial banks. The supposedly better businessmen farmers were dealt an unfair burden. It put them in a very unfair competitive position. The higher variable bank rates versus the FHA frozen rates made it such that all other things being equal, the farmer with the commercial bank would see his equity eroding at the same time a nearby FHA farmer saw his equity situation improving. Fate was not kind.

This situation is even more ironic. At the same time that we all ready knew we had serious over production problems, our government was still making new FHA loans to people who had never farmed before because this was the American way. The FHA rates, higher than years earlier, were still lower than the variable commercial bank rates that the better risk farmers had to deal with. We were undermined by our own government. This condition still exists today. The farmer who has dealt with commercial banks for say twenty years has seen his equity so eroded that he graduates into the position of a greater risk farmer and may qualify for a FHA loan. Years of hard work gone. I'm getting a consensus.

We need some changes made. ~~We need a FHA program which does not produce unfair competition to the more viable farmer.~~ At this time more and more formally secure farmers are having to go to FHA for financial assistance. Without this aid to the individual farmer, agriculture will pass into the hands of the monied few. I see where we could have a trend of ownership of the land passing into the hands of fewer and fewer people such as in South America. We need responsible leadership and assistance to guide us out of these crucial times.

We have often heard that the cause of our milk surplus is too high of a support price. However, the fact that farmers' incomes have been eroding and that many dairy farmers are in serious financial trouble seems to indicate that this is not the case. I would contend that (1) too liberal credit by government and private lenders, (2) newly available technology, and (3) farmers attempts to overcome ever increasing costs by increasing production are the real causes of the surplus milk problem. Therefore, we need to look for some means of reducing the surplus other than lowering the support price.

The Dairy Diversion program we are operating under now is a good start. Personally I would like to see the institution of a quota system such as Canada has where the cost of production is taken into consideration when setting the price of milk. Farmers need to have a reasonable return on their labor and investment. Our government takes into consideration cost of production in determining utility rates or setting up government military contracts. We must bear in mind that bread and milk are more basic than bullets.

Under the quota system, quota is bought. If production is needed, quota is cheap. If production is not needed, buying quota is expensive. Why should we make getting into farming easy as we have in the past when we already have a surplus problem. It's unfair to the established farmer to set up non-farmers in the farming business at interest rates unobtainable to the established man. Quota is a system of control, but our government policy of the past has been a system of control, one to the detriment of the established farmer. Our government has had complete control over the number of people who have been engaged in the farming industry. This has been accomplished by means of extending FHA loans to as many people as it chose to, thereby keeping competition and production up in the industry resulting in low prices for our product. This cheap food policy has been one of competition control. It's great for the majority, the consumers, but catastrophic for the minority, the American farmer.

We have minority rights in America. The 2% of the Americans who are producing food for the other 98% of the people deserve to be treated humanely. At times we seem to work harder than is humanly possible, but now we are wearing down. We are highly skilled and valuable. The man on the street may think that we are easily replaceable. Think twice. Many,, many of the lesser trained people who were set up by FHA in the past have not been able to make it in the farming industry even at their unfairly low interest rates because it takes skill and management ability plus alot of hard work to be a successful farmer. You can't do it on hard work alone. Now it is time for the American farmer to be treated fairly and humanely. We deserve to be paid for our skill and management ability. Responsible agricultural policies must replace the politics of cheap food. We deserve security and a decent life style. Without this we will all go under and along with us our plentiful food supply.

(Attachments follow:)

From Editorial Page of "Hoard's Dairyman" 2/25/85 Pg 220

TELLING DAIRYMEN'S SIDE OF THE STORY

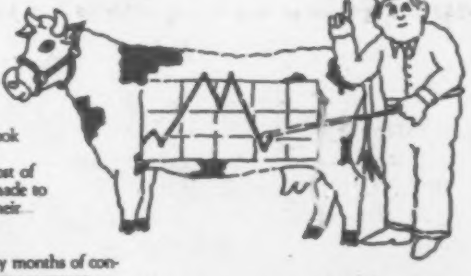
WITH so much attention focused on cutting the federal budget, and farm programs targeted for sizable reductions, it is important that the general public understand that dairy farmers are doing their part. To help tell the story, Associated Milk Producers, Inc., with more than 25,000 members, has been running a series of advertisements in metropolitan newspapers covering much of the nation.

On December 29, when Congressmen were home for the holidays, the ad shown here appeared in 67 newspapers from coast to coast. On January 29, the same ad appeared in the Washington Post and USA Today. It was used as a full page ad in the prestigious National Journal on February 2 and the Post's National Weekly February 4.

The story is well told and we compliment AMPI. As Representative Jim Jeffords of Vermont said recently, "Had Congress been as successful in reducing federal expenditures across the board as the dairy industry has cut its share, we would be dealing with a very manageable deficit."

Here's How Dairy Farmers Cut Government Costs Over $1 Billion

The concept is "self-help". Dairy farmers themselves are totally financing the cost of strong individual incentives to reduce production during surplus milk periods. This brings production back into balance with consumption, while enabling dairy farmers to continue to assure consumers of dependable dairy supplies at reasonable prices.



In late 1983, Congress enacted a self-help measure proposed by dairy farmers called the Milk Diversion Program. Dairy farmers took responsibility to help finance their commodity program – paying the cost of diversion payments that are being made to producers who contract to reduce their marketings by up to 30 percent.

The program is working. After many months of consecutive increases under an unpopular assessment plan, milk production and government purchases of surplus dairy products dropped markedly during 1984.

- Milk production is down 3 percent.
- Government purchases are down nearly 50 percent.
- The bottom line is that this self-help approach cut government costs for the dairy program by over $1 billion.

An effective milk price support program assures Americans of fresh dairy supplies day-in and day-out and in every city across the country, a claim consumers in few other countries can make. And let's not forget that the price of dairy products has consistently stayed below increases in the Consumer Price Index.

To boost consumption, dairy farmers are also sponsoring a self-help promotion program to inform consumers nationwide about the value and nutritional benefits of milk and dairy products. Highlights include national television and print advertising, product research and nutrition education.

Soon, Congress will act on comprehensive farm legislation – the 1985 Farm Bill – and dairy provisions will be a major focus. Senators and Representatives from urban and rural areas alike need to consider the cost reductions achieved by the dairy industry's two "self-help" programs. Their excellent performance merits continuation in some form in the 1985 Farm Bill.

Let's stick with this sound approach to the dairy program. It's a government-industry partnership that makes sense and saves taxpayer dollars. We need to keep it working in the future!

From Editorial Page of "Hoard's Dairyman" 1/10/85 Pg 16

DAIRYING'S FUTURE IS CLOUDED WITH UNCERTAINTY

ONCE again dairy farmers find themselves in limbo, not knowing what type of program will result from the 1985 Farm Bill. There have been all sorts of rumors coming out of Washington, ranging from a five-year transition period to complete abolishment of the dairy program as we know it. Even target-pricing, with deficiency payments, is being discussed. It is no secret that David Stockman, the Administration's chief budget officer, would like to see all agricultural programs eliminated.

The one theme that seems most prevalent among Administration spokesmen is that any future program be "market-oriented," and that, of course, means dropping the price. Even though CCC purchases for the first 10 months of 1984 were down 48 percent from the same period in 1983, it generally is believed that Secretary Block will use his authority to drop the support level 50 cents per hundred on April 1 and July 1.

Since there appears to be no thought of extending the diversion program, which ends March 31, 1985, much will depend on what actions dairy farmers take when the program expires. With low feed prices and an oversupply of heifer replacements, most dairymen will have little choice but to put those heifers into the milking line.

If this happens, and those not in the diversion program continue to expand, we will find ourselves in the same mess we were a year ago. As USDA's Cliff Carman pointed out recently, "Neither an improving economy nor intensive advertising can keep the industry in balance if producers shift back into an expansion mode."

The new, expanded advertising program should help. The 15-cent-per-hundred deduction on all milk marketed has contributed an additional $130 million for promotion. We should keep in mind, however, that commercial use this year is up about 3.6 percent over 1983 sales, so it will be a real challenge to show additional increases.

We know that production in some areas will expand sharply. In California, for example, they predict a 5 percent increase in 1985 over 1984. With their ideal climate, housing is not a problem, and they can expand with little additional capital investment. As pointed out in the article on page 9, they have every intention of providing milk and dairy products for their expanding population. Next October, the world's largest cheese plant is scheduled to open at Corona, Calif., with the capacity to handle the daily production of 46,000 cows. Several other manufacturing plants either have been or are under construction in California. As is true with all manufacturing facilities, these need to operate at or near capacity to make a profit.

Although the cost of the dairy program has been cut more than $1 billion this past year, it still is costing about $1.5 billion annually. Unless some provision for an incentive/penalty program is developed, we can expect a series of price drops, and it will be "survival of the fittest." While this is nothing new in the dairy business, it could affect many more than anything we have seen. Bear in mind that, as more farmers leave dairying, there will be greater pressures on those dairy organizations that operate processing facilities.

Be sure to attend meetings where dairy policy is discussed and make your thoughts known. As a New York reader wrote recently, "Most spokesmen for our industry have little to do with actual farming."

CONFUSING TIME FOR ALL FARMERS, INCLUDING DAIRYMEN

IT'S no wonder dairy farmers and their families are worried and confused. Many of those who deal with farmers on a day-to-day basis have been warning that there is a financial crisis in rural America, the worst since the depression days of the 30's. Even the Wall Street Journal, usually quick to point its editorial pen in a derogatory manner when dealing with agricultural issues, carried a story in its January 24, 1985, edition with the headline, "As many farms fail, more rural banks are at risk of dying, too." The story quoted Iowa State University's Neil Harl, who said that 8 to 15 percent or more of farmers nationally won't qualify for spring-planting loans. "Lenders have run out of collateral to lend against," he said.

The following day the Chicago Tribune carried an article headlined, "It's time to tough it out, Block tells strapped farmers." The Agriculture Secretary was quoted, ". . . farmers must realize that they no longer can turn to the government to bail them out of hard times."

We wonder how well Administration leaders and policymakers understand the problem out in the country. A recent survey by the University of Wisconsin revealed that in one eight-county Wisconsin area, 47 percent of the farmers had such a poor debt-to-asset ratio that they probably could not continue farming for more than a year or two. The president of a Wisconsin Production Credit Association reported that only nine PCA's closed during a recent 50-year period, while 11 have closed in the past 18 months.

It's ironic that farmers are being told they should be cut back on government aid at the same time a USDA report predicts commodity prices will be weaker than a year ago, land values will remain depressed and cash flow will be tight. Net farm income, which was in the range of $29 to $33 billion last year, is expected to slip to $19 to $24 billion this year.

Dairymen need to have some idea of what the future holds for them. It is impossible to make plans until they know what direction the 1985 Farm Bill is heading. "Market clearing" prices for dairy products are completely unrealistic. That proposal could more appropriately be labeled a "bankruptcy plan" to cut production. We're seeing enough bankruptcies today.

We continue to support legislation that would extend the Milk Diversion Program beyond its present expiration date of March 31. Payment rates should continue as they are in the present program which is self supporting. It makes no sense to wipe out the gains that have been made since the program began, a cut of 4 billion pounds in 12 months.

The first goal of any farm program should be to guarantee a supply of food to the nation's people. The only way to provide such a guarantee is to allow those who choose to make the tremendous investment required in farming to exist in a climate where there is a possibility of profit. We have not seen or heard the word "profit" mentioned in any of the proposals advanced thus far. Unless there is incentive to produce, we someday may find barren fields and empty stanchions because government policy took profit out of agriculture.

Hoard's Dairyman" 3/10/85
280
pg

(Additional articles are held in the committee files.)

Statement of

Clyde E. Rutherford
President, Dairylea Cooperative Inc.
Chairman, Northeast Farm Bill Committee
Member, Executive Committee, National Milk Producers Federation

May 17, 1985
Syracuse, New York

Mr. Chairman, members of this Committee, we very much appreciate your coming to the Northeast to hear our viewpoints on the 1985 Farm Bill. One of the best kept secrets of our time is the fact that agriculture is the largest single industry in the Northeast. It is the largest industry in New York State, which is usually viewed as primarily an industrial state.

As an elected cooperative leader and a representative to both regional and state agricultural organizations, my concerns about the upcoming Farm Bill occupy a great deal of my time. As a dairy farmer producing 1.4 million pounds of milk annually, I also have a very direct and personal stake in the outcome.

AgFax, an economic service of the Farm Credit System that has an ongoing evaluation of many good dairy farms in this area, recently issued a report which said that these farms are currently losing about 32¢ a hundredweight. You might reasonably ask how they stay in business . . . and the answer is that they are basically paying their bills and meeting other obligations but are receiving little or nothing for their investment and labor. Let me stress that

I am not talking about borderline operations. I am talking about farms that are progressive enough and well-managed to be rated as viable dairy enterprises.

Economists look at the overproduction of milk, as measured by commercial use, and they see two lines on a chart . . . one rising faster than the other. They search for factors causing overproduction and then they propose measures to change these factors in a way that will bring production more nearly in line with consumption.

It leads to a very logical and classical solution which would get an "A" in any economics course in any college in the country: lower the farm milk price, and the weakest and most inefficient farms will go out of business.

As things now stand in the dairy industry, that modern version of the theory of natural selection is seriously defective. We have passed the stage where we can seriously believe that only the fittest will survive. Many good and productive dairymen, particularly young dairymen with not too much equity, will fail. Price is an effective deterrent to production, but it is not really selective in how it achieves its goal.

I am not trying to make a case for NOT using price as one of the factors in a dairy program. Obviously, that is necessary . . . and is being used, as authorized in the Dairy and Tobacco Adjustment Act of 1983. I believe, however, that those who would simply keep racheting down the farm price of milk without looking ahead to its long-term effect are not doing consumers a favor. The day that production and consumption are in balance, the price of dairy products will be substantially higher than at present. That is ALSO an economic fact of life.

We farmers are prepared to do our share to cut the deficit, because farmers are among the most severely affected by it. Even while we strongly disagree with what some people may define as "market oriented," or "a free market" we are moving steadily toward a more direct tie to a supply-demand balance for the production and marketing of milk.

Many of us believe the REAL issue is the TIME FRAME within which this transition must be accomplished. Most farm organizations are pushing for a formula that maintains the present support price and purchase program for our industry, but ties it to supply-demand and cuts back on the support price if the government rate of surplus purchases goes beyond specified levels.

Most of the economic factors are in place to bring about a reduction in milk production and a consequent reduction in the cost of support purchases. What we must avoid is any hasty legislation that attempts to force the phase-out of dairy farmers virtually overnight. Anyone who has looked at the figures knows that farmers of all types have been diminishing in number since the turn of the century. New York State used to have fifty or sixty thousand dairy farmers within the lifetime of some in this room. Today we have 15,000, and of that number, probably a third to a half will be gone by the end of this century, many of them in the relatively near future. The same is true in other states and for other commodities.

The agribusiness structure that grew up to support those 50,000 dairy farmers in New York State has kept pace with the farm scene. In 1960, New York State had 1,061 mill plants of all kinds. Today we have about 191 plants.

For businesses that depend on production agriculture . . . including cooperatives . . . the 1985 Farm Bill looms very large as a barometer for the future.

We must convince the American public that the money spent on Agricultural programs is critically important. We can argue about HOW MUCH has to be invested by government, but we must not permit programs that have contributed to building the strongest and most productive agriculture in the world to be undermined . . . even destroyed.

Because we have had a long period of food surpluses, and because government financial involvement has increased substantially in the last few years, the American public is being lulled into a frame of mind that says: "We've always had plenty, and we always will."

But that's not necessarily true.

We have always had plenty because, for the lifetime of most of us, the American farmer, aided by his cooperative and his government, has been able to withstand the pressures of weather, roller-coaster prices, uncertain markets, foreign competition, economic factors beyond his fencelines (such as the value of the dollar), a significantly reduced population growth, a greatly changed population mix, popular fads pertaining to what and how much food is consumed . . . and so on. We've had hard times. Our numbers have dropped by half or more. . . but the bottom hasn't fallen out and we have continued to progress in technology and productivity.

The ultimate beneficiary has been the consumer.

Let me repeat that: the major beneficiary of the efficiency and productivity of American farmers has been American consumers.

In 1970, the net income of U.S. farmers totalled about 10 billion dollars. Net income peaked in the early 1970's at just under 35 billion. Today it is estimated to be less than in 1970. But there has been no reduction in the variety and quantity of products at the local supermarket. The cost of food has risen, but most of the increase went to the chain of transportation, processing and retailing that occurred after the products left the farm. The farmers' investment in production facilities and land are greater than all other investments needed to move the food in finished form to the consumer. Yet the farmer has profited least.

It is a situation that has been with us for many years. Simply stated, the farmer has not been able to keep a reasonable part of his improved productivity, most of which has occurred in the past 25 to 30 years. How many companies would invest billions in equipment and plants and continue to produce when the investment returned nothing?

I conclude these comments by suggesting that the future is not looking good for many thousands of farmers. However, if we try to separate out the human factor . . . which I find difficult to do . . . the future CAN be very good for those in production agriculture . . . and their cooperatives . . . who make the necessary adjustments to survive what everyone is calling a "difficult transition."

The term "difficult transition" is a favorite phrase these days for government employees and economists. It is not too popular out on the farm. Getting from 30,000 feet in the air to the ground is a "difficult transition" if your plane is disabled and you don't have a parachute.

A Farm Bill that will work, at least for dairymen, is one that modernizes our support price structure, but doesn't destroy it; a bill that ties production to consumption, but doesn't try to reach the desired goal in one or two years. It will be a bill that avoids punitive actions in the name of balancing the budget; a bill that recognizes, directly or indirectly, that agriculture is not just figures . . . it is people, families, local economies, jobs, commerce and taxes.

And also FOOD . . . . food grown by less than two percent of the population to feed themselves and the other 98 percent. Looking at that perspective, there is not a very large margin for error in writing the 1985 Farm Bill.

Thank you.

(Attachment follows:)

1985 Farm Bill Committee

Chairman
Clyde E. Rutherford

Secretary
Lorraine Lewandrowski

MEMBERS

Agri-Mark, Inc.
AGWAY Inc.
Allied Federated
Cooperatives, Inc.
Dairylea Cooperative Inc.
Eastern Milk Producers
Cooperative
Association, Inc.
Lehigh Valley Farmers
New York Farm Bureau
New York State Grange
New York State Holstein
Association
National Farmers
Organization
Northeast Dairy
Cooperative
Federation, Inc.
Niagara Milk
Cooperative, Inc.
Oneida-Madison Milk
Producers Cooperative
Association
Pennsylvania Farmers
Union
Pennsylvania State Grange
Pennsylvania State Holstein
Association
Steamburg Milk Producers
Cooperative
Upstate Milk
Cooperatives, Inc.
Vermont Farm Bureau

ADOPTED UNANIMOUSLY BY THE
1985 FARM BILL COMMITTEE
February 22, 1985

The members of the 1985 Farm Bill Committee of the Northeast recommend that the following concepts be implemented in the provisions of the 1985 Farm Bill.

I. National Agricultural Policy

There should be a formal declaration by Congress of a comprehensive national agricultural policy. The policy should:

1. recognize the critical dependence of the 98% of our population on the 2% who operate our farms,

2. establish a basis for consistent and equitable international trade relationships that give the same protection to the competitive position of American farmers as is accorded to farmers in foreign nations that seek access to our markets,

3. oppose the use of export embargoes EXCEPT where the health and welfare of the American public may be jeopardized,

4. endorse the maintenance of a monthly computerized data collection system from both public and private sources to provide the Congress and the President with timely and accurate data about the economic health of the nation's agricultural community as reflected by mortgage and loan delinquencies, sellouts, bill payments, foreclosures, etc.

(more)

831 James Street, Syracuse, New York 13203 315/476-9101

II. Price Supports

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2. establishment of a formula that will authorize the Secretary of Agriculture to move the support price up or down in response to supply-demand as reflected in the annual rate of purchases by the CCC.

III. Market Orders

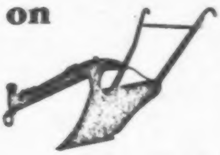
Federal Milk Marketing Orders have operated effectively for more than 45 years to assure consumers of an adequate supply of fresh, regionally produced milk at reasonable prices. They have stabilized a volatile industry, while not guaranteeing any specific level of prices. They have provided for equitable payment to producers and relatively equal cost to handlers for raw milk. It is critical to the viability of the national dairy industry...and to the availability of a supply of regionally produced fluid milk to consumers...that the market order system continue and that no drastic changes be allowed to undermine its effective operation.

IV. Promotion

The National Dairy Promotion program should be extended, but only after a referendum of producers.

New York State Senate Committee on
Agriculture

Senator Steve Riford, Chairman
Room 944, Legislative Office Building
Albany, N.Y. 12247 - (518) 455-3264



Testimony of Senator L.S. Riford
Chairman, Senate Committee on Agriculture
before the U.S. House Committee on Agriculture
May 17, 1985

Congressman de la Garza, members of the House Committee on Agriculture, Congressman Wortley, ladies and gentlemen: as Chairman of the New York State Senate Committee on Agriculture and as a former dairy farmer, milk dealer and milk retailer, I am pleased to have the privilege of commenting on the 1985 Farm Bill and specifically on those matters that affect New York's agriculture economy.

Agriculture is New York State's largest industry. Dairy farming is the primary enterprise, with milk sales accounting for three-fifths of farm cash receipts. Our state is third in milk production in the United States as well as an important producer of fruits and vegetables -- we're second nationally in apple production and third in grapes. Our farms are operated almost entirely by the farmer and his family. Corporate farming is minimal. One of the objectives of the 1985 Farm Bill should be the preservation of the family farm, which has made America the agricultural wonder of the world.

The export boom of the 1970s, accompanied by rising energy prices, inflation and high interest rates were all factors in determining agriculture policy and the 1981 Farm Bill. The grain embargo coupled with higher milk support prices under the Carter administration stimulated milk production.

The New York farmer should not be punished for mistaken policies of the past. Drastic measures, such as the immediate removal of price supports, would not prove to be in the public interest in the long run. The dairy portion of the 1985 Farm Bill should be designed to maintain a balance between supply and demand -- to smooth out the valleys and peaks of production over time. Price supports should be set at levels that will neither stimulate production nor depress it below the level of market needs.

All the dairy farmers in the United States would be assisted if an import quota or change in designation were to be placed on casein, a cheap, foreign-subsidized substance used in imitation cheese that competes directly with real milk for use in various prepared and convenience foods. Casein was once used only for industrial applications, but it now displaces real dairy products, causing the Commodity Credit Corporation to purchase larger stocks of real dairy products. That costs the taxpayers and drives up the cost of dairy surplus purchases. In 1984, the Commodity Credit Corporation bought 8.5 billion pounds of milk partly because we imported almost 7 billion pounds of milk in the form of casein that competed with our real dairy products. I would urge you to support HR 431, cosponsored by Congressman Wortley, which places a lid on the amount of casein that we import. Congressman Charlie Rose has filed similar legislation. Casein undercuts American dairy farmers. We must stem the flow of casein into this country.

I would also urge action on the importation of Canadian vegetables, which are undercutting New York's vegetable growers. New York ranks high in the production of several vegetables, including onions and carrots. Canadian subsidies permit their vegetables to be sold in America at less than market prices, and our farmers cannot compete. We have 38 ports of entry through which foreign vegetables and fruits must pass. I would ask Congress to consider mandating a study of our imports of vegetables and fruits, especially to determine the impact of foreign-subsidized dumping on the Northeast.

In addition, Mr. Chairman, I would ask for continued support at the Congressional level for the work of the Soil Conservation Service. In fiscal year 1984, $1.5 million was spent in New York, of which $1.2 million was for watershed and flood control. We need it. In 1982, a government survey showed that wind and water damaged 185 million acres, or 44% of the nation's cropland, eroding the soil faster than it could be replenished. Three billion tons of soil were lost that year. I urge you to continue funding that important program.

Finally, Mr. Chairman, I wish to thank you for coming to New York to hold this hearing. Speaking for the state Senate, I can say that while we can do certain things at the state level, we look to the federal government for an orderly and appropriate resolution of several matters -- casein imports, vegetable dumping, and appropriate milk support prices.

Thank you.

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TESTIMONY

submitted by: John W. Runge
3720 Tanner Road
Syracuse, New York
13215

Let me take this opportunity to give some background into the development of the enclosed list of concepts brought forth by the 1985 Farm Bill Committee. I was among a group of farmers who felt misrepresented and "let down" by the organizations to which they belonged at the time of the development of the Dairy Compromise Bill or Diversion Program. At the time, the organizations to which I belonged were on opposite sides on the issues. And we didn't agree with them.

To solve this problem, the group felt that we should get the leaders of our organizations together so that they could work out a unified plan for the 1985 Farm Bill. We held what we called a "Dairy Leaders Forum" and hosted as many organizational presidents or representatives that we could get to attend. After a full day of disscussion it seemed we had done nothing more than had a nice lunch. But we "persevered" and finally got the N.Y. Farm Bureay Dairy Committee to follow up with a subsequent organizational meeting at which the 1985 Farm Bill Committee was organized.

We feel the concepts they have developed are good ones and represent the majority opinion of the Northeast farmers. They deserve your utmost consideration.

"Farmers aren't united in their views.",this is the most widely used govermental excuse for failure to solve farm problems.

It seems every time I hear someone in goverment discuss the problems in agriculture, they always seem to mention that farmers can't agree on the issues and becauseof it they are unable to act. Well, you might say that one time to many. Perhaps we should take the position of "starving" the market place to give us a better price.

Seriously though, you people are elected to weigh the alternatives and make the decisions, formulating the policies and pass the laws. When you have problems doing it,and I can see where you would, please refrain from blamming it on the farmers.

American Agricultural Policy

Does goverment have any direction that it wants agriculture to go? What is the future of American Agriculture as seen by your committee? Is the American food supply to become dominated by foreign imports? Will the American farmer suffer the same fate as the American steel industry? Are we to be continually choked by regulationsand controls and stabbed by subsidized foreign imports? Will American agriculture be left to rot with our surplus products while forgeign buyers go away empty handed to new markets because our produts must be transported by American ships? Will goverment continue t o use bandaid programs to solve major wounds in the farm economy?

Not so long ago American agricultue was carrying this countries forgeign trade balance. But the "golden Goose" is damned near cooked. Somebody better pull her out of the fire and get her back on her feet.

A new farm program needs to be developed which will regain U.S. strength on the world market. The alternative is to put a million farmers out of business. If America wants an abundant food supply, we need a strong export market or a large govermental reserves.

Bovine Growth Hormone

You will probably hear from farmers who will ask you to ban bovine growth hormone from the marketplace. That would be fine with me except it won't keep it out of the rest of the worlds dairy farms. I don"t want to compete against a world market that has this technology when I don't. I've seen animal drugs taken off the market in this country which are still being used in Canada and Europe. How can the farmers in this country be expexted to compete. As it stands now the dairymen in Europe and Canada will have bovine growth hormone a year or two before I do, as a result of our testing requirements. If anything I would urge you to take steps to help speed the testing process.

Tax Shelter Farms

You've heard testimony against the tax shelter farm. I urge you not to make to many great changes in the laws that create tax shelter farms for three reasons.

1) These same tax laws help the working farmer balance his operation through good and poor seasons if he manages wisely.

2) The equine industry depends on the non-farmer invstor.

3) The history of all the dairy cattle breeds shows the positive influence of cattle breeder who has not had to worry about making a living from the cow. /.

(Attachment follows:)

1985 Farm Bill Committee

Chairman
Clyde E. Rutherford

Secretary
Lorraine Lewandrowski

MEMBERS

Agri-Mark, Inc.
AGWAY Inc.
Allied Federated Cooperatives, Inc.
Dairylea Cooperative Inc.
Eastern Milk Producers Cooperative Association, Inc.
Lehigh Valley Farmers
New York Farm Bureau
New York State Grange
New York State Holstein Association
National Farmers Organization
Northeast Dairy Cooperative Federation, Inc.
Niagara Milk Cooperative, Inc.
Oneida-Madison Milk Producers Cooperative Association
Pennsylvania Farmers Union
Pennsylvania State Grange
Pennsylvania State Holstein Association
Steamburg Milk Producers Cooperative
Upstate Milk Cooperatives, Inc.
Vermont Farm Bureau

ADOPTED UNANIMOUSLY BY THE
1985 FARM BILL COMMITTEE
February 22, 1985

The members of the 1985 Farm Bill Committee of the Northeast recommend that the following concepts be implemented in the provisions of the 1985 Farm Bill.

I. National Agricultural Policy

There should be a formal declaration by Congress of a comprehensive national agricultural policy. The policy should:

1. recognize the critical dependence of the 98% of our population on the 2% who operate our farms,

2. establish a basis for consistent and equitable international trade relationships that give the same protection to the competitive position of American farmers as is accorded to farmers in foreign nations that seek access to our markets,

3. oppose the use of export embargoes EXCEPT where the health and welfare of the American public may be jeopardized,

4. endorse the maintenance of a monthly computerized data collection system from both public and private sources to provide the Congress and the President with timely and accurate data about the economic health of the nation's agricultural community as reflected by mortgage and loan delinquencies, sellouts, bill payments, foreclosures, etc.

(more)

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IV. Promotion

The National Dairy Promotion program should be extended, but only after a referendum of producers.

STATEMENT TO THE HOUSE OF REPRESENTATIVES AGRICULTURAL COMMITTEE

May 17, 1985
Testimony of Bert S. Morse, President,
The New York State Grange

I am Bert S. Morse, President of the New York State Grange, an Agriculture Organization of 30,000 members, located in 520 communities throughout the State. I am also an active dairy farmer on a 500-acre farm at Marathon, New York.

The 1985 Farm Bill has been a topic of active discussion for months. In New York State, a representative group of the general farm organizations and dairy cooperatives have met several times and reached agreements on major points to be included in new legislation. I will direct my remarks at some causes and then look at suggested solutions. I am convinced that much of the farm problem stems from government actions, and that the solution lies in the government correcting basic economic causes.

1. The previous administration maintained support prices too high, thereby encouraging production. The producer could realize a profit because the government was committed to step in as a market buyer. Thus, surplus increased.

2. Foreign policy decisions made by the previous administration destroyed confidence of some foreign buyers in America's ability to deliver contracted goods. Agriculture was specifically singled out to bear the major burden at the time of the wheat embargo to the Soviet Union.

3. The huge federal deficit must be brought under control. This has caused high interest rates; it has increased the cost of doing business -- making it attractive for foreign capital to replace American capital.

   This issue is also directly related to the high value of the dollar in comparison with other major foreign currencies. For example: The Canadian dollar is worth approximately one-third less than the U.S. Dollar. U.S. wholesalers discover they can buy $1.37 worth of vegetables in Canada for what he would pay $1.00 in the U.S. It is obvious where he would purchase his needs.

The answer to this lies in the hands of the U.S. Government--not in the hands of the farmer. Please accept your responsibility in correcting this. It seems that many give lip service to cuts in government expenditures, until it hits their pockets--turning their programs into "sacred ground." We each must accept a reasonable share of cuts to balance the budget. This redress cannot be delayed!

4. Foreign Trade:

In the early 1980's, agriculture exported some $40 billion of products; agriculture is a major source for improving our balance-of-trade position. But with the problem just previously discussed, agricultural exports have declined measurably. This loss of markets works counter to the present Administration's goal to improve the agricultural problem in the so-called "market place." Correcting the budget deficit and bringing the dollar's value in line with other currencies can help correct this loss of markets.

We also feel that American trade negotiators are not aggressive in protecting American interests in expanding Foreign markets -- in competition with foreign competitors.

We have a prime asset in our food production. There are people starving! Can we not bring the two together?

The New York State Grange has favored Free Trade -- but this must be a two-way street. ("Fair-trade" policies could be a more appropriate term.) How can we expect the American producer to meet the subsidized production from other nations, when the governments of these nations pick up transportation costs, and where fertilization costs are lower due to government sales. Furthermore, labor has gained a concession because a certain percentage of domestic goods must be shipped in American ships. This adds to the cost of our goods overseas.

The expanding of foreign markets is vital and Government policies impact this possibility greatly. Congress needs to address this issue -- and not with another study! We already have the facts! Now let the policy be legislated.

There are those who believe that government can "buy" prosperity; at best this could only be a short-term band-aid therapy, and its success is highly questionable. What is needed is a long-term agricultural policy to replace the short-term programs. Once this policy is determined; once the goals are set; then programs can be enacted to obtain those goals. We cannot build prosperity on "four-year Farm Bills."

5. It is difficult to say this, but all current producers will not remain producers...but they should have the opportunity to try. Certain government loan programs have encouraged retention of some whose talents could find greater success in related fields. This transition may be eased by re-training programs. Some educational assistance may be necessary.

6. How do we move from the current problems to the place where the farmer can receive his just share of the food dollar?
   A) We must move toward a market-oriented policy.
   B) The move must be graduated by steps.
   The government has led producers for fifty years with grants, subsidies, etc. The jolt of immediate and complete removal would be too great. Remember: a nation without a prosperous agriculture soon begins its route to decline.
   C) Major tasks for the Government are:
      a) Build a balanced budget.
      b) Assist in opening foreign markets through FAIR-trade programs.
      c) Equalize the value of the dollar and bring it into proper relationship to other currencies.
      d) Do not allow food to be used as a foreign policy or political weapon.

D) Agricultural Industry, of itself, must:
  a) Build aggressive, well-financed promotion programs which are producer-financed and producer-policy controlled.
  b) Agriculture areas must work together. Recognition needs to be given to the many and sometimes conflicting segments. (illustration)
  c) Education of the consumer must receive more attention. We can build domestic markets.

E) Immediate - but gradual - reduction of price supports will be in the long-term interest of farmers, consumer and government.

IN CONCLUSION, WE MUST HAVE:
** AGGRESSIVE MARKETING!
** PRODUCER PROMOTION!
** REDUCED GOVERNMENT DEFICITS!
** INCREASED FOREIGN TRADE!
** CONSUMER EDUCATIONAL PROGRAMS!
** and LONG-RANGE POLICIES!

Thank you.

Bert S. Morse, President
The New York State Grange
100 Grange Place
Cortland, New York, 13045

GEORGE W. CREGG, SR.
932 ONONDAGA ROAD
CAMILLUS, NEW YORK 13031-9703
(315) 468-1479

May 17 ,1985

Honorable Kika de la Garza
Committee on Agriculture
U.S. House of Representatives
Longworth House Office Building
Washington, DC 20515

Dear Chairman de la Garza:

Thank you for the opportunity of presenting my personal views at the Field Hearing of your Full Committee on Friday, May 17,1985 held at the New York State Fair Auditorium near Syracuse, NY. You will find five copies of my formal written statement enclosed herewith.

In presenting my written statement, I appear before you as an individual but I believe my views are in substantial agreement with several of my New York State friends and a client. In addition to being a lawyer licensed to practice in New York and the District of Columbia, I am also a Certified Industrial and Economic Developer. As Counsel to the New York State Economic Development Council, Inc., as a Director of the Northeastern Industrial Developers Association,Inc., and as Vice-Chairman of the American Development Council, Inc., I am aware that your action may benefit some of the members of such organizations. You should also know that I am employed on a part time basis by the Onondaga County Water Authority which may indirectly benefit from the Otisco Lake Watershed Program referred [illegible] in my formal statement .

Please include this letter in the printed record as a part of my formal statement, and forward me a copy of the printed record along with a copy of your Committee's Report and a copy of the 1985 Farm Bill as finally drafted.

We welcome you, the members of your Committee, and the courteous members of your Committee Staff to the great Empire State where agriculture is our No. 1 industry. Please come back as often as you can.

Very truly yours,

George W Cregg, Sr.

George W. Cregg,Sr.

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON AGRICULTURE

WRITTEN STATEMENT

OF

GEORGE W. CREGG,SR.,CID/CED

ON

1985 FARM BILL

FOR THE

HEARING RECORD OF MAY 17,1985

INTRODUCTION

Alexander Hamilton in the New York Packet, Tuesday, November 27,1787, wrote, "It has been found in various countries that, in proportion as commerce has flourished, land has risen in value. And how could it have happened otherwise? Could that which procures a freer vent for the products of the earth, which furnishes new incitements to the cultivation of land, which is the most powerful instrument in increasing the quantity of money in a state - could that, in fine, which is the faithful handmaid of labor and industry, in every shape, fail to augment that article, which is the prolific parent of far the greatest part of the objects upon which they are exerted?". The New York Times on Tuesday 7,1985 reported, according to a recent study, that "erosion has long been understood as a major and growing cause of the loss of crop land", and that erosion "has even more deleterious effects away from the farms on the quality of lakes, streams and estuaries". The Wall Street Journal on Friday, April 26,1985 featured an article entitled, "Cropland Erosion Is A Growing Problem".

OTISCO LAKE WATERSHED SCS PROJECT

In February of 1984 the USDA Soil Conservation Service produced a Preauthorization Planning Report and Plan of Work, and Planning Assistance for the Otisco Lake Watershed in New York State was authorized on March 26,1984 by Peter C. Meyers, Chief of the Soil Conservation Service under the authority of the Watershed Protection and Flood Prevention Act, Public Law 83-566. This planning effort was begun in May of 1984, involves 68 active farms in the watershed of Otisco Lake Reservoir which is one of New York's famous finger lakes, and involves about 26 million gallons of potable water per day which supplies over 100,000 citizens of Onondaga County in New York State. This is the first project of this kind in New York. It will involve some well accepted and sophisticated farm practices in relation to soil tillage, and the disposal of animal waste.

Over 50% of the active cropland exhibits excessive sheet and rill erosion, and there is some sediment and nutrient delivery to the Otisco Lake Reservoir. Erosion rates on 6,338 acres of cropland range from 3 tons per acre per year to over 30 tons per acre per year. The average erosion is 9 tons per acre per year, and 3 times an acceptable rate for replenishment of the treasured topsoil needed to feed the inhabitants of Onondaga County and the rest of New York State. The thin soils of New York will not last long if this rate of erosion continues. The loss of productivity as a result of this erosion has been estimated at as high as $5 per acre per year for some of our shallow soils, and the average loss has been estimated at $2.70 per acre per year. The waste of New York's cropland cannot be allowed to continue if its citizens are to be economically fed. The lesson of Ethopia-1985 is being heard and must be listened to. Erosion will eventually take its toll.

The Onondaga County Water Authority, an agency of the State of New York, is presently constructing a plant for the treatment of the Otisco Lake Water Supply, and will benfit only minimally if at all. However, the area around the lake is the site of several hundred year round and recreational homes, and the Lake is used extensively for both fishing, swimming and boating. The area residents should benefit directly.

A combination of land treatment practices and animal waste management appears to be desirable. Since the project has received initial approval and the work plan is practically complete. All that is needed at present is to leave enough money in the 1985 Budget to start the 3 to 5 year work program, providing approximately $400.000 for 1/2 of the cost. It is anticipated that the New York State Job Development Authority can furnish the other 1/2 of the cost in the nature of low interest loans to the involved farmers.

CONCLUSION

Copies of the following documents are attached hereto and made a part hereof:

1. Excerpt from The Federalist No. 12 (Hamilton)
2. Copy of New York Times Clipping 5/7/85
3. Copy of Wall Street Journal Clipping 4/26/85
4. Copy of cover sheet of USDA-SCS 2/84 Report and Plan
5. Summary of the Otisco Lake Study
6. Summary of Impacts of Administration Proposed Budget

on SCS in New York State

Agriculture is New York's No. 1 industry. As many as one in four jobs in New York depend on farm production. Yet not one single member of the New York State Delegation in the U.S. Congress is a member of either the Agricultural Committee of either the House or the Senate. To preserve agriculture is to preserve our Nation. New York is doing its part. Let's not wash away our world leadership by woefull neglect of eroding soil. Let's do whatever is necessary to maintain our State's and Nation's farms, especially the family farms.

-30-

(Attachments follow:)

From the New York Packet, Tuesday, November 27, 1787

THE FEDERALIST NO. 12

(HAMILTON)

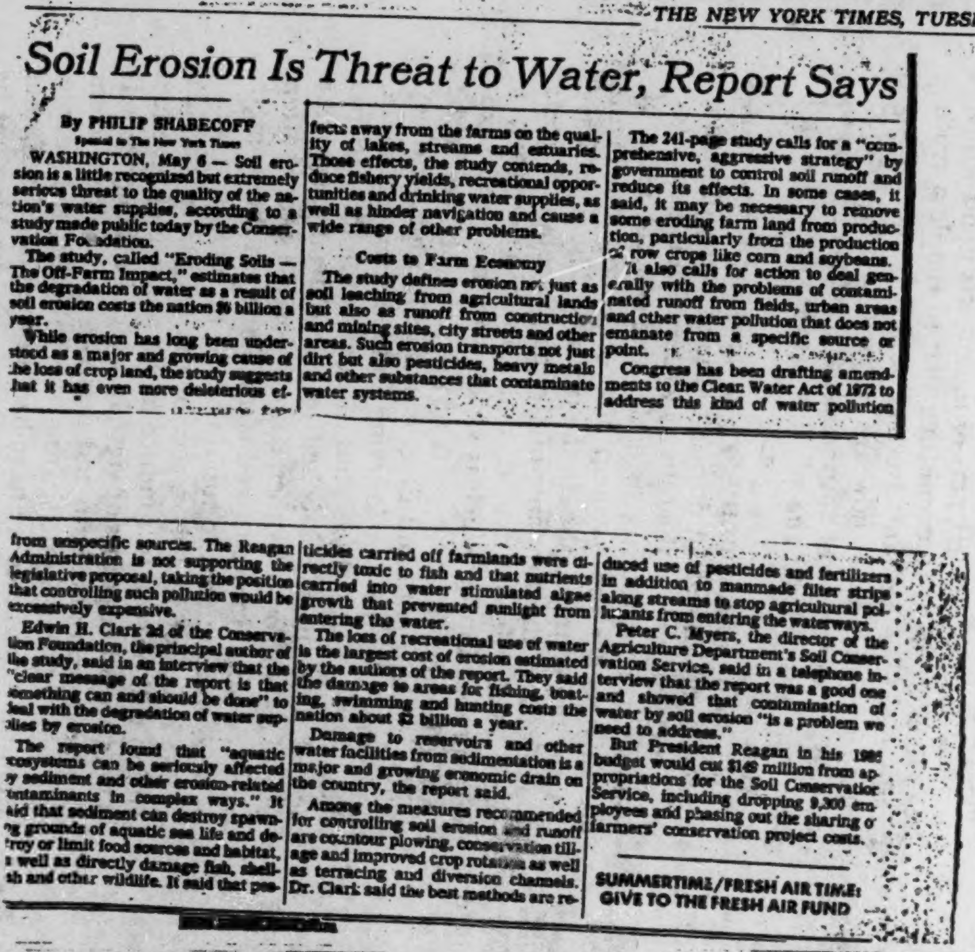
To the People of the State of New York:

THE effects of Union upon the commercial prosperity of the States have been sufficiently delineated. Its tendency to promote the interests of revenue will be the subject of our present inquiry.

The prosperity of commerce is now perceived and acknowledged by all enlightened statesmen to be the most useful as well as the most productive source of national wealth, and has accordingly become a primary object of their political cares. By multiplying the means of gratification, by promoting the introduction and circulation of the precious metals, those darling objects of human avarice and enterprise, it serves to vivify and invigorate the channels of industry, and to make them flow with greater activity and copiousness. The assiduous merchant, the laborious husbandman, the active mechanic, and the industrious manufacturer,—all orders of men, look forward with eager expectation and growing alacrity to this pleasing reward of their toils. The often-agitated question between agriculture and commerce has, from indubitable experience, received a decision which has silenced the rivalship that once subsisted between them, and has proved, to the satisfaction of their friends, that their interests are intimately blended and interwoven. It has been found in various countries that, in proportion as commerce has flourished, land has risen in value. And how could it have happened otherwise? Could that which procures a freer vent for the products of the earth, which furnishes new incitements to the cultivation of land, which is the most powerful instrument in increasing the quantity of money in a state—could that, in fine, which is the faithful handmaid of labor and industry, in every shape, fail to augment that article, which is the prolific parent of far the greatest part of the objects upon which they are exerted? It is astonishing that so simple a truth should ever have had an adversary; and it is one, among a multitude of proofs, how apt a spirit of ill-informed jealousy, or of too great abstraction and refinement, is to lead men astray from the plainest truths of reason and conviction.

The ability of a country to pay taxes must always be proportioned, in a great degree, to the quantity of money in circulation, and to the celerity with which it circulates. Commerce, contributing to both these objects, must of necessity render the payment of taxes easier, and facilitate the requisite supplies to the treasury. The hereditary dominions of the Emperor of Germany contain a great extent of fertile, cultivated, and populous territory, a large proportion of which is situated in mild and luxuriant climates. In some parts of this territory are to be found the best gold and silver mines in Europe. And yet, from the want of the fostering influence of commerce, that monarch can boast but slender revenues. He has several times been compelled to owe obligations to the pecuniary succors of other nations for the preservation of his essential interests, and is unable, upon the strength of his own resources, to sustain a long or continued war.

But it is not in this aspect of the subject alone that Union will be seen to conduce to the purpose of revenue. There are other points of view, in which its influence will appear more immediate and decisive. It is evident from the state of the country, from the habits of the people, from the experience we have had on the point itself, that it is impracticable to raise any very considerable sums by direct taxation. Tax laws have in vain been multiplied; new methods to enforce the collection have in vain been tried; the public expectation has been uniformly disap-



THE NEW YORK TIMES, TUESDAY, MAY 7, 1985

Soil Erosion Is Threat to Water, Report Says

By PHILIP SHABECOFF

Special to The New York Times

WASHINGTON, May 6 — Soil erosion is a little recognized but extremely serious threat to the quality of the nation's water supplies, according to a study made public today by the Conservation Foundation.

The study, called "Eroding Soils — The Off-Farm Impact," estimates that the degradation of water as a result of soil erosion costs the nation $6 billion a year.

While erosion has long been understood as a major and growing cause of the loss of crop land, the study suggests that it has even more deleterious effects away from the farms on the quality of lakes, streams and estuaries. Those effects, the study contends, reduce fishery yields, recreational opportunities and drinking water supplies, as well as hinder navigation and cause a wide range of other problems.

Costs to Farm Economy

The study defines erosion not just as soil leaching from agricultural lands but also as runoff from construction and mining sites, city streets and other areas. Such erosion transports not just dirt but also pesticides, heavy metals and other substances that contaminate water systems.

The 241-page study calls for a "comprehensive, aggressive strategy" by government to control soil runoff and reduce its effects. In some cases, it said, it may be necessary to remove some eroding farm land from production, particularly from the production of row crops like corn and soybeans.

It also calls for action to deal generally with the problems of contaminated runoff from fields, urban areas and other water pollution that does not emanate from a specific source or point.

Congress has been drafting amendments to the Clean Water Act of 1972 to address this kind of water pollution from unspecific sources. The Reagan Administration is not supporting the legislative proposal, taking the position that controlling such pollution would be excessively expensive.

Edwin H. Clark 2d of the Conservation Foundation, the principal author of the study, said in an interview that the "clear message of the report is that something can and should be done" to deal with the degradation of water supplies by erosion.

The report found that "aquatic ecosystems can be seriously affected by sediment and other erosion-related contaminants in complex ways." It said that sediment can destroy spawning grounds of aquatic sea life and destroy or limit food sources and habitat, as well as directly damage fish, shellfish and other wildlife. It said that pesticides carried off farmlands were directly toxic to fish and that nutrients carried into water stimulated algae growth that prevented sunlight from entering the water.

The loss of recreational use of water is the largest cost of erosion estimated by the authors of the report. They said the damage to areas for fishing, boating, swimming and hunting costs the nation about $2 billion a year.

Damage to reservoirs and other water facilities from sedimentation is a major and growing economic drain on the country, the report said.

Among the measures recommended for controlling soil erosion and runoff are contour plowing, conservation tillage and improved crop rotation as well as terracing and diversion channels. Dr. Clark said the best methods are reduced use of pesticides and fertilizers in addition to manmade filter strips along streams to stop agricultural pollutants from entering the waterways.

Peter C. Myers, the director of the Agriculture Department's Soil Conservation Service, said in a telephone interview that the report was a good one and showed that contamination of water by soil erosion "is a problem we need to address."

But President Reagan in his 1986 budget would cut $149 million from appropriations for the Soil Conservation Service, including dropping 9,300 employees and phasing out the sharing of farmers' conservation project costs.

SUMMERTIME/FRESH AIR TIME: GIVE TO THE FRESH AIR FUND

6 THE WALL STREET JOURNAL FRIDAY, APRIL 26, 1985

Cropland Erosion Is a Growing Problem

Farm Finances and Absentee Landlords Cited

By Marj Charlier

Staff Reporter of The Wall Street Journal

CHICAGO—Soil erosion, the scourge of the Depression, is worsening again, speeded by farmers' financial woes and sweeping changes in farmland ownership.

Soil is washing and blowing off many of the nation's farms at the worst rate since the 1950s, when Great Plains dust storms prompted federal conservation legislation. Wind erosion in the Great Plains during the last two months of 1984 was the worst in 30 years, and the damage could grow this spring on many drought-stricken, barren ranchlands in Texas, Montana and Wyoming, according to government surveys. Water-caused erosion in many counties of Iowa and Missouri last summer matched the worst rates on record, as torrential rains tore soil off recently plowed pasturelands. Parts of Washington and Idaho and many Southeastern states are hard hit as well.

Erosion will grow worse, scientists say, if financially pressed farmers and the rising number of absentee farm landlords neglect expensive conservation measures.

Water Pollution

The problem reaches beyond the farm, soil scientists say. Cropland erosion is increasingly polluting water supplies, clogging reservoirs and damaging dams and hydroelectric facilities as soil washes into public waterways. "I wouldn't be surprised if the off-farm damages (caused by erosion) over the next 25 to 50 years won't be higher than the costs" to farmers in the form of reduced crop production, says Gordon Wahlman, head of the geology department at Johns Hopkins University and chairman of a National Academy of Sciences committee examining the problem.

Soil erosion is certain to become an issue this year, as Congress debates new farm legislation. Growing soil loss, combined with abundant farm-commodity supplies and the farm financial crisis, have given conservationists the best opportunity they've had in decades to argue for strict soil conservation measures. The National Academy of Sciences will begin Monday a conference on soil erosion, and in May, Mr. Wahlman's committee will release a report on the subject that's expected to spark more debate.

"The present farm scene allows you to talk about conservation in ways you couldn't four or five years ago," says Mr. Wahlman.

Some argue that soil erosion isn't a national problem any more. "It's greatly exaggerated," says Theodore Schultz, a University of Chicago economist. "There's a tremendous decline in soil erosion since the 1930s," he says. At the same time, improved plant genetics and farm chemicals have increased crop yields, reducing the need for more productive land, he says.

Nevertheless, some conservation proponents fear that the problem will worsen if the Reagan administration succeeds, as planned next year, in slashing by about two-thirds the budget and staff of the Agriculture Department's Soil Conservation Service unit, which works with farmers to promote conservation. And for the first time, the administration has made the SCS administrator's slot a political appointment—reducing the chances that the SCS chief will resist budget-cutting attempts, says Norman A. Berg, former SCS administrator and a senior adviser to the American Farmland Trust, a non-profit farmland preservation group.

The roots of the erosion problem deepened in the 1970s, when expansion-minded farmers plowed rangeland and pastures and tore down 50-year-old windbreaks to increase their yields. And as profits from raising livestock fell even more than profits from raising crops, farmers plowed up pastures to plant corn and soybeans. The result was increased crop production. But "to do that," says Mr. Berg, "we ripped land out of grass, making it vulnerable to erosion."

Widespread Damage

By 1982, the most comprehensive government survey yet showed that wind and water were damaging 185 million acres, or 44% of the nation's cropland, eroding the soil faster than it could rebuild itself. Three billion tons of soil were lost from cropland that year, the survey showed. That's enough to cover a square-mile field with topsoil a half-mile deep. The problem has since worsened in some locations.

The tough farm economy also is partly to blame for more recent increases in erosion. In hard times, some farmers produce as much as they can to make up for low prices, and they sometimes damage their soil doing it, Mr. Berg says. Some may neglect such conservation techniques as crop rotation, planting of windbreaks or terracing and contour cultivation of land. Some agronomists blame a surge last year in erosion in southern Iowa, a pocket of severe farm financial problems, on farm debts that reduced the practice of conservation techniques. As farmers' financial problems continue this year, agronomists predict that conservations will fall even further behind.

Many farmers are putting survival ahead of conservation. Marlyn Schafer, a soil conservation agent in hilly Audubon County, Iowa, says two farmers who signed up to construct terraces this spring through the SCS financing program recently canceled their plans, saying they couldn't afford to spend the money.

And Randy Nelson, an Exira, Iowa, contractor who builds conservation terraces and dams, says several of his Southwest Iowa customers canceled their projects this spring, even though the area eroded severely in last year's storms. "There's a lot of work that should be done around here that's not going to be done because farmers haven't got any money," says Mr. Nelson.

And as debt-laden farmers lose their land to absentee landlords, some analysts believe conservation practices will suffer. Pioneer Hi-Bred International Inc. found in a 1982 survey of 1,000 farmers that 44% believed farmers aren't as careful with land they rent as with land they own; 35% of those who leased land themselves admitted that they paid less attention to conservation practices.

"The financial trauma that farmers are going through, and the (resulting) abrupt change in land ownership, are going to have a negative impact" on soil conservation, says Leo Walsh, dean of the College of Agriculture at the University of Wisconsin in Madison.

Recent evidence supports that concern. Big land speculators with fleets of large tractors have broken millions of acres of fragile, highly erodible grazing land in the West recently, planting it to wheat for resale at higher prices. Dust storms have plagued residents of Petroleum County, Mont., since John Greytak bought hundreds of thousands of acres of grazing land from several longtime ranch owners there, then plowed and planted them to wheat.

Sodbusting and Dust Storms

Largely as a result of such sodbusting tactics, erosion scoured 1.5 million acres in Wyoming in the last two months of 1984, 78 times year-earlier damage. In January and February of this year, dust storms damaged another 1.1 million acres recently busted in Montana and 1.4 million acres in Texas.

Conservation advocates hope that such

United States
Department of
Agriculture

Soil
Conservation
Service

P.O. Box 2890
Washington, D.C.
20013

MAR 26 1984

SUBJECT: PROJ DEV MAINT - Public Law 83-566 - Authorization for Planning Assistance - Otisco Lake Watershed, New York

TO: Paul A. Dodd, State Conservationist, SCS,
Syracuse, New York

You are authorized to provide planning assistance on the Otisco Lake Watershed as may be necessary to develop a plan for the purposes of watershed protection to protect the soil resource base for sustained productivity and watershed protection for water quality improvement under the authority of the Watershed Protection and Flood Prevention Act (Public Law 83-566).

The rate of planning assistance will need to be tailored to your available funds and may require a revision in the proposed schedule for planning. Policy on accelerated land treatment issued by Amendment 12 to the National Watersheds Manual will apply to this planning start.

The congressional delegation has been notified.

Peter C Myers

PETER C. MYERS
Chief

cc:
Graham T. Munkittrick, Assistant Chief, Northeast, SCS, Washington, D.C.
Arthur B. Holland, Director, Northeast NTC, SCS, Chester, Pennsylvania

U.S. Government Printing Office: 1983-[illegible]

United States
Department of
Agriculture

Soil
Conservation
Service

James M. Hanley Federal Building
100 S. Clinton Street, Room 771
Syracuse, New York 13260

April 5, 1984

Mr. S. Albert Sweetland
Chairman, Onondaga County Soil
and Water Conservation District
4876 Onondaga Road
Syracuse, New York 13215

Dear Mr. Sweetland:

I am pleased to inform you that authorization for planning assistance under the Watershed Protection and Flood Prevention Act, Public Law 83-566, for the Otisco Lake Watershed has been received from the Soil Conservation Service Washington Office. A copy of the correspondence from the SCS Chief, Peter C. Myers, indicating the authorization has been attached for your reference.

The SCS Water Resources Planning Staff located in Syracuse will begin their planning effort in May 1984. I am optimistic that upon completion, the watershed plan will meet all local objectives as outlined in your P.L. 566 watershed application.

The Soil and Water Conservation District's assistance during the pre-planning process was instrumental in securing this planning authorization. I would like to express my appreciation for your and the District's support.

Sincerely,

Paul A. Dodd
Paul A. Dodd
State Conservationist

cc: Robert J. Klumpe, Deputy STC, SCS, Syracuse, NY
Phillip J. Nelson, Asst. STC (WR), SCS, Syracuse, NY
Richard G. Perritt, SRC, SCS, Syracuse, NY
Steven L. Machovec, WR/RB Plng. Staff Ldr., SCS, Syracuse, NY
P. Dwight Holman, DC, SCS, New Hartford, NY
Howard V. Schuster, DC, SCS, Syracuse, NY

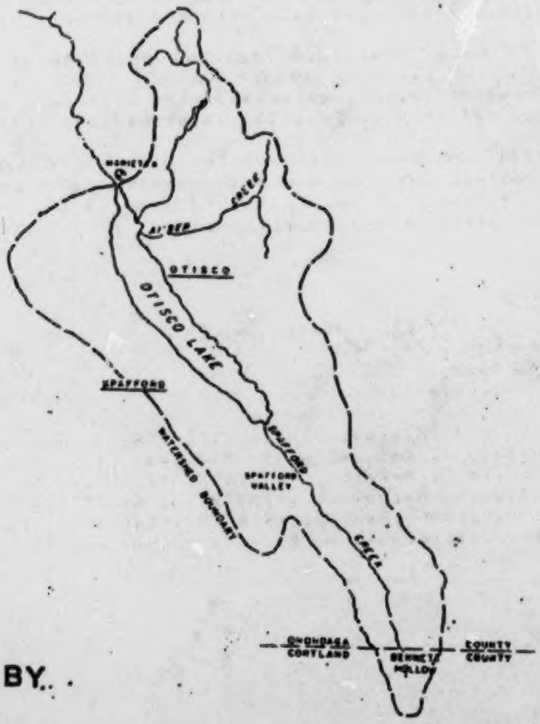
OTISCO LAKE WATERSHED

PREAUTHORIZATION PLANNING REPORT

AND

PLAN OF WORK

ONONDAGA COUNTY, NEW YORK


MARIETTA
CREEK
AMBER
OTISCO
OTISCO LAKE
SPAFFORD
WATERSHED BOUNDARY
SPAFFORD
SPAFFORD VALLEY
CREEK
ONONDAGA
CORTLAND
BENNETT HOLLOW
COUNTY
COUNTY

PREPARED BY

U. S. DEPARTMENT OF AGRICULTURE

SOIL CONSERVATION SERVICE

FEBRUARY 1984

SUMMARY
OTISCO LAKE STUDY

THE PROBLEM

The Otisco Lake Watershed study identified two major resource problems:

1. excessive sheet and rill erosion from active cropland.
2. an identified water quality problem associated with sediment and nutrient delivery to the lake.

Over 50 percent of the active cropland exhibits excessive sheet and rill erosion.

Existing nonpoint sources of pollution associated with dairy farming include:

1. sediment delivered as a result of the sheet and rill erosion.
2. loss of plant nutrients that are tied up in eroding soil.
3. pesticide and herbicide losses.
4. pathogens in runoff water as a result of manure management practices.

SHEET AND RILL EROSION

Of the 11,775 acres of active cropland, 6,338 acres are in need of treatment. Erosion rates ranged from 3 tons/acre/yr. to over 30 tons/acre/yr. The average erosion rate was approximately 9 tons/acre/yr.

The total gross erosion from all cropland as a result of sheet and rill erosion is 65,550 tons per year.

The loss in productivity as a result of this erosion was valued at a range from $5 per acre per year for shallow soils to less than .10¢ per acre per year for deep soils. The average over all soil types and depths is estimated at $2.70 per acre per year.

STREAMBANK EROSION

The streambank erosion contribution was found to be relatively low in the study. Two tributaries, Spafford Creek and Van Benthuysen Brook contained some areas exhibiting severe erosion. These problems were associated with steep gradients of the stream and low cohesiveness of the soils.

Some problems were also associated with allowing cattle direct access to the streams.

Estimated annual soil loss due to streambank erosion is about 473 tons per year.

TOTAL GROSS EROSION - ALL SOURCES

Source	Unit	Amount
SHEET AND RILL EROSION		
Cropland	ton/yr.	65,550
All other land	ton/yr.	11,472
STREAMBANK EROSION	ton/yr.	473
Total Gross Erosion	ton/yr.	77,495

SEDIMENT DELIVERY

The actual amount of sediment delivered to Otisco Lake is in all cases a better measure of the impacts relative to erosion and water quality.

Of the nearly 77,500 tons/yr. of gross sediment from all sources in the watershed, approximately 17 percent, or 13,240 tons are delivered to the lake on an average annual basis. This amount of sediment represents a volume of about 7.6 acre feet delivered and deposited annually.

The remaining 64,255 tons are most likely trapped in areas in the headlands.

SUMMARY OF EROSION AND SEDIMENT

(tons per year)

Tributaries	Total Gross Erosion	Tons Delivered
Amber Brook	13,366	2,941
Lader Brook	5,767	1,326
Rice Brook	5,372	1,236
Spafford Creek	29,776	3,573
Van Benthuysen Brook	9,645	1,586
Remaining W/S	13,569	2,578
TOTALS	77,495	13,240

WATER QUALITY

Water quality of Otisco Lake has been identified as a major issue. Turbidity, caused by sediment suspension and algae blooms, are the major concerns.

Related to soil erosion, and contributing to the overall impact on water quality, is the contribution of phosphorus to the Lake. Two individual types of phosphorus were identified:

1. soil phosphorus that is normally tied up with soil particles.
2. phosphorus associated with animal wastes.

Approximately 44,120 pounds of phosphorus are produced by the dairy cattle in the watershed per year.

PHOSPHORUS DELIVERY

Source	Unit	Total Produced	Delivered
Cropland	lbs./yr.		
dissolved		------	310
adsorbed		137,660	25,590
Animal Waste	lbs./yr.	44,120	1,730
Total		181,780	27,630

FORMULATION OF ALTERNATIVES

Preliminary formulation has provided alternatives to reduce cropland erosion and adequately utilize agricultural wastes thereby reducing both phosphorus and sediment loadings to Otisco Lake. The alternatives are as follows:

Alternative 1 - this would be considered the "No Project" alternative. It would simply rely on the normal program to address the current problem. At the given rates of cost-sharing and implementation rates, it would take approximately 30 years to adequately protect the watershed.

Alternative 2 - this alternative would be the "Land Treatment Practices". Practices to reduce soil erosion on cropland thereby prolonging its productive life, reducing sediment, and controlling phosphorus to Otisco Lake would be applied. Examples of practices would be; conservation tillage, no-till, winter cover cropping, contour farming, stripcropping, diversions and grassed waterways or outlets.

Alternative 3 - this is the "Animal Waste Management" alternative. This alternative would consider only the control of phosphorus from animal wastes. Practices would include grading and shaping of the barnyards, surface water control, roof gutters, fencing, subsurface water control, and filter strips. Permanent storage structures would be considered if and when justified.

Alternative 4 - "Combination of Land Treatment Practices and Animal Waste Management". This alternative would address all the items as described in Alternatives 2 and 3. It would bring about the majority of the improvements that would be needed.

IMPACTS OF PROPOSED FY '86 BUDGET
on
SCS IN NEW YORK

1. Reduce the number of employees from 260 to about 80. Fifty-seven of these would be located in the field to service SWCD's through technology transfer.

2. Technical assistance would be provided in targeted high priority areas within personnel constraint limitations given in item #1.

3. Decisions would have to be made concerning office rental and vehicle ownership. Consideration would be given to alternatives to present methods.

4. Seventy-five percent reduction of soil survey.

5. Phase out of RC&D, Watershed Planning, Watershed Construction, Emergency Watershed Protection, River Basin Studies, and Resource Inventory activities.

PROJECTED IMPACT ON CONSERVATION ACCOMPLISHMENTS RESULTING FROM SCS TECHNICAL ASSISTANCE IN NEW YORK

Output Item	F.Y. 1984 (Actual)	F.Y. 1985 (Goal)	F.Y. 1986 (Estimated)
Landusers Assisted	15,609	16,215	1,000
Ag Waste Systems	47	50	0
Conservation Tillage (Ac)	38,390	57,000	10,000
Cropland Protected (Ac)	135,000	150,000	30,000
Cropland Erosion Reduced (Tons)	379,000	550,000	120,000
All Other Land Uses Protected (Ac)	25,000	30,000	0

NEW YORK SOIL SURVEY - TRENDS - PROJECTION

I. Mapping

FY	Acres
80	
81	656,000
82	813,000
83	685,000
84	634,000
85	555,000 1/
86	139,000 2/

1/ Revised to accommodate some reduction because of EPA sampling project.

2/ Reduced 75 percent as was national projection.

II. Publication

With the proposed 1986 budget level, surveys that are in the process of being published will be delayed proportionally to the reduction of mapping output. The following is an estimate:

Survey Area	Scheduled Out	Delayed Date
Albany	5/87	After 1990
Chautauqua	9/90	After 1995
Chenango	7/85	7/85
Columbia	6/87	After 1990
Erie	2/88	After 1990
Greene	6/87	After 1990
Jefferson	5/86	5/86
Nassau	12/85	After 1988
Putnam/Westchester	12/87	After 1990
Rensselaer	2/88	1990
Rockland	2/88	1990
Sullivan	6/88	1990
Warren	10/86	10/86

*SUMMARY TABLE
IMPACTS OF PROPOSED FY '86 BUDGET
ON WATER RESOURCES

Fund	Activity	Federal $ Lost			Measures Lost	Staff Years Lost
		Financial	Technical	Total		
06,09	Planning		530,000	530,000		8
08	Construction	6,800,000		6,800,000		
	Design Section		200,000	200,000		6
11	RC&D	250,000	350,000	600,000		9
	50 Associated Measures	?	?	?		
16	Emergency (Potential only, based on 5 year average annual)	650,000	150,000	800,000		5
		7,700,000	1,230,000	8,930,000		28

* Details are included in attached sheets.

PLANNING (06 and 09)

The following activities are planned for FY 86. The proposed budget would eliminate the studies and personnel as shown.

COOPERATIVE RIVER BASIN STUDIES

1. Saratoga Lake	---- $125,000
2. Oriskany Creek	---- $120,000

WATERSHED PLANNING

*1. Cayadutta Creek	---- $ 40,000
2. Virgil Creek	---- $ 95,000
*3. Otisco Lake	---- $ 20,000
4. Ontario Watershed	---- $110,000

* Currently authorized for planning

SPECIAL STUDIES

1. Jamesville Reservoir	---- $ 20,000

Total Program Impact ---- $530,000 loss

Total Personnel Impact ---- Loss of 8 staff years

CONSTRUCTION & DESIGN (08)

It is assumed that projects already under construction in FY 85 will continue in FY 86. The projects scheduled to start construction in FY 86 are as follows and would be eliminated. No design work would be done in FY 86 and therefore the design section would be eliminated.

	Construction Cost Estimate
Brandywine	$ 800,000
Newtown Hoffman 12E	5,000,000
Bone Creek Channel	1,000,000
Total Construction Impact:	$6,800,000 loss

Personnel Impact: Loss of 6 staff years which equates to approximately $200,000.

RC&D (11)

The following projects are scheduled for construction in FY 86. Proposed budget would eliminate such construction.

		Est. Federal Cost Estimate
Cherry Valley	Dr	$ 20,000
Crawford Road	CAT	40,000
Cronk Road	CAT	30,000
Schweizer Dike	FL	150,000
Carthage Village	Dr	10,000
Total Construction Impact:		$250,000 loss

*Total Technical Assistance Impact: $350,000 loss

Personnel Impact: 9 staff years loss

*This amount is the average annual dollars budgeted to supplement the RC&D program. Of this about 80% goes to salaries for people.

In FY 83 over 40 associated measures were completed through RC&D. In FY 84 over 50 associated measures were completed. Over 50 are projected for FY 85. The proposed FY 86 budget would eliminate the program and would result in zero associated measures. These measures include activities related to grassland, forestry, livestock, recreation, conservation tillage, erosion control, etc. While dollar benefit values have not been placed on them, they do contribute to the development of our rural areas.

RESOURCE INVENTORY ACTIVIES (12)

It will eliminate 5 to 6 staff-years of assistance:

1. Essential Inventory data will need to be done with other Technical Assistance Funds.
2. Critical Cropland Erosion Inventories for 10 counties will be deferred or eliminated.
3. No Important Farmland Maps will be prepeared.
4. NRI ~~82~~ Popular Brochure eliminated.
5. Special Purpose Inventories delayed or eliminated.

   Water Conservation Inventory, Suffolk County
   Fruitland Inventory
   Farm Animal Concentration (Water Quality Objective)

6. Requests from other Federal Agencies on FPPA (Farmland Conversion Rating Data) will not be responded to or responded to with other funds.

EMERGENCY (16)

There are no funds budgeted for FY 86 because the extent of emergency needs can not be predicted. However, history has shown that the potential for emergency needs are high. Approximate average of last 5 years follow:

Financial Assistance: $650,000
Technical Assistance: $150,000
Total Potential Impact: $800,000 loss

Potential Personnel Impact: 5 staff years loss

RESOURCE APPRAISAL AND PROGRAM DEVELOPMENT (17)

1. Will delay or terminate Cooperative Cornell/SCS Erosion Productivity Study. Funds are needed in early FY 86 (October-November) to gather yield data from 1985 growing season.
2. Jamesville Reservoir Special Study will be eliminated or terminated. The Study is oriented to testing the concept of using an optimum mix of Education, Information, Technical and Financial Assistance in accomplishing conservation practices in the Jamesville Watershed.

STATEMENT BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
SYRACUSE, NY
MAY 17, 1985

My name is Roger A. Morse. I am Professor of Apiculture at Cornell University, Ithaca, N.Y., where I am responsible for the teaching, research and extension in beekeeping. I have been in this position since 1957. Since 1965 I have been Field Secretary of the Empire State Honey Producers Association; this organization represents the interests of beekeepers statewide.

A price support program for the beekeeping industry has been in place since about 1950. The program has served both the industry and the consumer well for 30 years. Cheap honey, especially from China, started to come onto the market recently and has upset it since about 1981. The Department of Agriculture, in spite of pleas, suggestions and discussions with industry people has been adamant about not making changes in the program. Senate Bill S. 501 and House Bill H.R. 1420, that you are now considering, would terminate the honey loan program. These bills would bankrupt almost all commercial beekeepers in the U.S.

I am concerned over whether or not we will have an adequate number of colonies of bees for fruit pollination in the northeast in the Spring of 1986.

Apple blossom time, contrary to the romantic movies that picture pretty, flowering orchards, is still mud season in the northeast. Moving colonies of honey bees in and out of orchards is slow, hard, tedious work.

Knowledgeable beekeepers are needed to grow, move and care for bees for apple pollination. Fulltime beekeepers cannot live on the one pollination fee they obtain each year from apple growers. Many beekeepers, of course, receive no pollination fees at all; for many farmers pollination is free. Pollination without honey production is not possible. Beekeepers who would exist merely to provide bees for apple pollination once a year obviously would have limited knowledge of the honey bee cycle of the year.

During the past several decades researchers have studied the natural cycle of the year as it pertains to bees. Beekeepers, using this knowledge, have developed management schemes that work both for the benefit of agriculture and provide them with a living. Renting bees for pollination and producing honey are systems that are as married as is possible. We cannot have one without the other. What I say about a potential lack of bees for pollination in New York State is true of nearly every state in the country.

I urge that the honey loan program remain intact in the New Farm Bill. I also urge support of the Beekeeper Preservation Act of 1985 (S.1025). A companion bill was introduced by Congressman Gene Chappie on May 8. This act includes an investigation by the International Trade Commission on the effect of honey imports; the industry feels strongly that such an investigation will serve the best interests of everyone concerned.

May 17th, 1985

Good afternoon Congressman Garza and fellow agricultural associates. I'm Maureen Torrey, part of a family vegetable farm of 3,000 acres in upstate New York, and also President of the New York State Vegetable Growers Association.

Agriculture is very important to New York State, as it is our largest industry. Our New York vegetable industry ranks fifth in the nation for vegetable production, for both fresh market and processing vegetables.

As an eleventh generation farmer in United States, I have, since a youngster, watch the wrath of weather, depressed prices, disease and insects destroy our crops and others. Yes, I left the farm to the "outside" world, but I'm back because it's one of the most challenging and satisfying occuupation there is.

However, there are some conditions and major problems that makes it very frustrating.

One of our major concerns currently is imports, primarily Canadian, but also other countries selling the same products we produce, at a lower price.

Over five years ago a group of New York State Vegetable and Potato growers met because of the frustration of losing our Eastern United States Markets to Canada because they were delivering cheaper vegetables to our markets. The eastern markets are very important since over 1/3 of the U. S. population are served by these markets. Investigation found that Canada, especially the provinces of Ontario and Quebec had developed a major strategy plan for their Horticultural Industry

Major Canidian government subsidies including grants for storage facilities, price supports of 90% of the average market price, land clearing, marketing and promotion aid, to name a few. They also have protection at their borders with either complete refusal of a commodity or a surtax on U. S. grown produce. Their growing conditions and commodities parellel the northeastern farmers. They were off and running gaining more and more of our markets. A few statistics - from 1978 to 1983:

Canadian cabbage exports rose 644%
Canadian potatoes 309%
Canadian carrots 88%
Canadian onion 86%

A news release by the Ontario ministry of Agriculture and Food, on October 25, 1984, and I quote,

" A long range plan to assist the industry to double export sales of agriculture and food products, primarily to the United States, was announced today by Agriculture and Food Minister, Dennis Timbrell. Our studies have shown that the major growth opportunity is in the U. S. said Timbrell. In fact our American exports from 1980 to last year increased some 37% making the U. S. the fastest growing as well as our largest market". The potential is there".

As a grower this extremely "scares" me because Canada in the last 10 years have carried out their strategy very successfully. We not only have Canada looking at our markets, but Mexico, Holland, South American countries because of our strong dollar. In our vegetable industry marketing and pricing is based on supply and demand, we have no price supports and don't want any, but we would like fair competition.

Today, not only are the vegetable growers scared of the imports, but the pork, egg, hay, lumber, fish, honey, fruit, wine, mushroom producers to name a few, are also. Two weeks ago a National Coalition for Fair Trade group was found of all the groups, from several states to encourage the Federal administration to modify its relatively passive stance toward unfair trade polocies practiced by our foreign agricultural competitors. In order for our family farms to survive we need your assistance to develop legislative proposals that will help counter unfair trade practices.

Also with many countries shipping produce into the U. S. that has been grown with toxic chemicals that are banned in the U. S.. I urge that testing procedures at the borders be improved and increased to stop contaminated produce from reaching our markets in the U. S. This means adequate fundingfor U.S.D.A. inspection service.

Our nation has a concerned interest in efficient production of fresh and processing vegetables. I urge continued support in the area of applied research funding for the Federal-State relationship. This funding needs to continue at the same level in order to develop better insect and disease resistance, improvement of food quality and nutritional values of vegetables, to name a few. Adequate funding is a sound investment in assuring that the U. S. will meet future needs for food. This research can not adequately be completely done by private industry but by the joint effort of Federal-State research.

Because the consumer demands and wants " a picture perfect" vegetable, vast quantities of labor are used in growing, harvesting and packaging vegetables in the U. S. You need to carefully watch regulations and agencies created to follow the "plight of the migrant".

The bad years of the 1950's - 60's have greatly changed for the farm workers. Federal wage and hours, OSHA, county and State Health Departments have worked with the growers for housing, wages, child care, health care. Our farmers know that the sucess of their business is dependant on the farm worker and their farm workers must be treated well for them to have an effective labor force. We need to see elimination of many agencies, such as Legal Aid, farm worker's advocate groups and other groups who continually harass and cause financial stress to both the grower and the worker, and waste the taxpayer's money.

Thank you for the opportunity to express our thoughts today and in your help in keeping American agriculture exciting, challenging and profession of "pride".

Eleanor Pupko
RD3 Box 74
Boonville, NY 13309

HOUSE AGRICULTURE COMMITTEE HEARING

I am a dairy farmer from Oneida County and I have come to testify because I am concerned about the deterioration of the quality of life in rural America.

When we moved to the family farm over 20 years ago, there were 12 farms between us and Boonville. Today there are only 2. Is this progress? Many, including the USDA, our land grant colleges and industry specialists would have us believe it so. Increased productivity, while making some labor expendable they argue, benefits society as a whole.

But a look at the village of Boonville tells a very different story. When we moved there, the population supported 5 grocery stores, numerous hardware stores, a bookstore, a theater and several implement dealers. Many of these buildings stand empty today.

More significantly, few stores opening in the last 4 years have survived over year. Why? Because for every 5 or 6 farms that go out of business, one store in town closes forever.

What happened to the family which would have inherited or bought one of the 10 farms that were taken out of production? The assumption is that they have found another niche in society, but is this true? In 1950 the average family spent 25¢ out of every $1 on food and 25¢ on taxes for a total of 50¢. By 1980, the consumer was spending a mere 16¢ on food, but the tax share had risen to 45¢ raising the total to 61¢. Why is this additional 11¢ in the total outlay needed? People must be cared for somehow. It is more costly to have the government administer a series of programs to provide the basic care for an individual than for that person to be self-supporting.

The American farmer supports the largest industrial complex in the country - the farm supply, food production and distribution system. Our policy makers have ignored the needs of the largest industry in the nation. Agriculture is portrayed as a detriment to the country and a drain on its resources. What share of that 45¢ in taxes is the price of our cheap food policy?

We need to address the fundamental question of who will control agriculture at the turn of the century. Where will the food consumed in this nation be produced? There can be no democracy in a country whose people do not own the land and control the production of food. It is in the best interest of this nation to retain the family farm system which has produced and placed ample food on our tables three times a day at a small fraction of our disposable income.

I would like to stress that studies have shown that towns supported by a family farm structure offer a more varied and higher quality life than those supported by corporate farms.

It is perhaps no accident that the term "economic pros*parity*" contains the key to economic stability - namely "parity". Parity means a balance in the buying power of the various sectors of our economy. In other words, no one section profits at the expense of the others. As long as major inequalities exist, a good deal of public energy is expended in trying to artificially prop up those institutions hardest hit by the imbalance. Wouldn't it be easier and cheaper to correct the problem rather than to attempt to treat the symptoms?

What then is causing the disintegration of our rural family farm structure? We have been offered various solutions: But the answer does not lie in more exports; nor in idling more land; nor in advertising. Each of these steps could - and perhaps should be put into effect. BUT they all fail to directly remedy the major issue facing agriculture today - PRICE!

Farmers are going broke because they are not being paid cost of production. And when the largest industry in the nation is in a depression, there can be no true and sustained prosperity!

What can government do? The Preamble to the US Constitution states that it was set up to "establish justice"..."to promote the general welfare and to secure the blessings of liberty to ourselves and our posterity". When a particular group of individuals has not been treated fairly, the government has set the precedent of stepping in and establishing minimum guidelines as law to redress that wrong.

There are many positive actions which can be taken at both the state and federal level to reverse the cumulative effects of the deliberate lowering of farm prices through government action. I would like to list these (without going into great detail) to refute the prevalent assumption that family farms can't be saved. Each one of these alternatives addresses a situation created by government action. I am not advocating any particular solution here today. We first need to establish the basic problem...**PRICE**. I would be willing to compromise on the methods used to achieve a price.

On the Federal level:

1. We need to make a long-term commitment to a healthy agriculture. One acre of productive land is worth more than 1000 guns; one acre of wheat contributes more to the well-being and strength of this nation than a missle. Our agricultural economic power base is the envy of the world. Let us not stand by idly as it is being dismantled.
2. Increase the support price. As the price of farm commodities drops, farmers are forced to produce more to meet basic cash flow needs. Why is it so difficult to see that an increase in the support price would reverse the trend? CCC purchases did not get out of hand until the price of milk relative to expenses slipped drastically under the present administration. However, if only the price of milk increases and grain, for example, remains at a depressed level, then it is true that agriculture will shift resources into dairy production. This is why it is critical that we do not promote regionalism in any form or favor one commodity over another. I encourage you to keep this in mind as legislation is being drafted.
3. Stop imports. The 2 billion pounds of quota cheese imported last year is the difference between cutting and not cutting the support price by 50¢ as the law is worded. I do not oppose trade, but we can no longer afford the administration's use of imports as a tool to undercut our domestic economy.
4. Raising the buy back on products stored by the CCC would be a simple measure to discourage dumping into the program or its use as a marketing strategy when it was designed as a market of last resort. Yet the administration refuses to consider the option.
5. Control of cow numbers would be a much cheaper method of reducing milk. This could be achieved through a culling incentive which would cost the government much less than most of the proposed programs.
6. Tax reform. As long as agriculture is a tax shelter, farmers will not be able to compete against outside investors and the land will be concentrated into large corporate holdings. At today's commodity price levels, farmers can no longer afford to pay for their land.
7. Supply management. In a country with 20 million hungry people, production control should not be an issue. However, simple steps could be taken to initiate real control such as using bushels and not acres for set aside programs.

What can be implemented at the state level?

1. Officials must understand the importance of agriculture to our state. Little attention has been given to our industry in the past as is reflected in the few lines devoted to agriculture in the state of the state address for example. Unless our elected representatives recognize the value of a healthy agriculture, we can hardly expect public support for meaningful legislation.

2. Property tax levels must be adjusted to reflect the fact that agriculture can

not compete with other land uses until we receive the cost of production.

3. Income tax laws can be restructured to eliminate tax breaks for investors and support entering farmers. The average age of our farmers is 55 years, reflecting the poor return on investment.

4. Marketing order changes and the use of existing mechanisms for raising prices such as over-order pricing should be encouraged at the state level.

Finally, at both the state and federal level, a measure can be introduced which would accord the same rights and protection as the establishment of the minimum wage for labor. This minimum price legislation for agriculture would make it illegal to buy or sell at below a certain level of parity. This minimum price of 90% of parity would set a base price for agricultural production at no cost to the government. But, just as a minimum hourly wage does not guarantee a worker he will become rich or even protect him from bankrutcy, this minimum price legislation **would not** guarantee a profit to a poor manager. It **would** re-establish justice for our farmers and ranchers - justice at the marketplace.

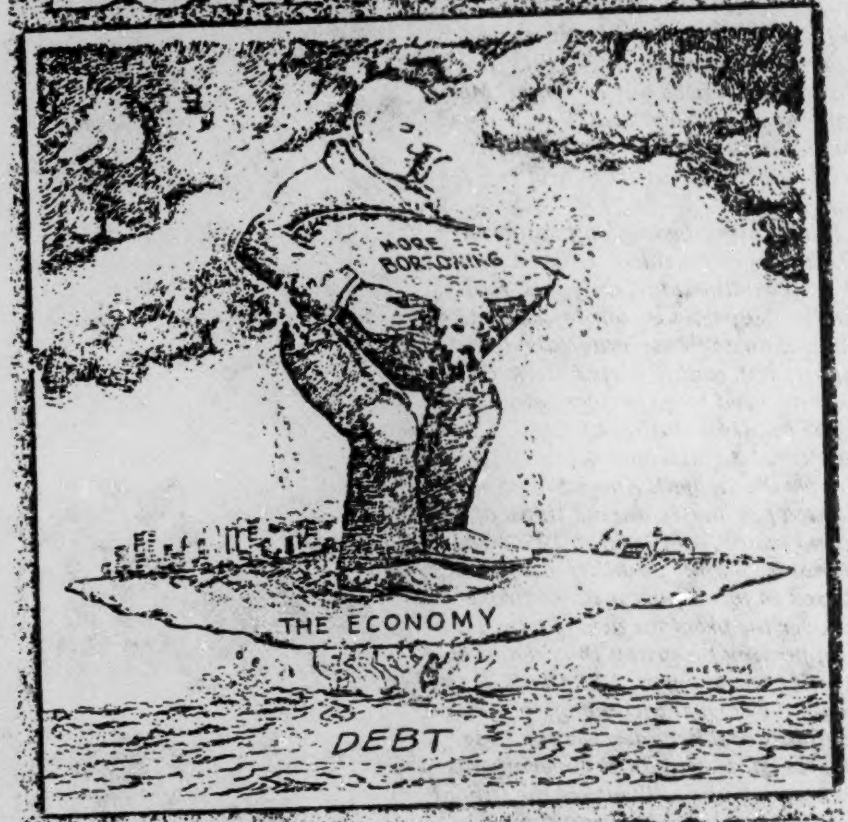
It is ironic that the Reagan administration which spouts so much rhetoric about self-reliance and recovering costs from the marketplace would propose a dairy program which sets the price of milk so low that it would actually require sending a "relief check" to this nation's dairy producers. We do not want this so-called help. What we are asking for is the reversal of the government's guaranteed low commodity prices policy.

Benjamin Franklin once said, "There are three ways a nation can become wealthy. It can make war and take the wealth of another by force. It can trade freely and make a profit by cheating. Or it can profit through agriculture, where by planting a seed we create new wealth as if by magic."

Agriculture is the key to this nation's economy. A prosperous nation is built upon a healthy agriculture. We have a unique combination of resources which has been our strength. Let's not abandon the other component of our agricultural success story, the resource which has been the driving force behind our rise to a world power - the family farm unit.

(Attachments follow:)

BORROWING


MORE BORROWING
THE ECONOMY
DEBT

OUR WAY OUT OF DEBT?

The idea is ludicrous, but that is what this country is attempting to do. For years, our basic national policy has been to borrow our way to prosperity. And now it has caught up with us, resulting in serious unemployment, high federal deficits and business and personal bankruptcies in record numbers. So what is our response? More borrowing, more debt and more earned income diverted to interest payments instead of prosperous economic expansion.

If debt were the way to prosperity, we would be in paradise. However, this debt policy will lead us only to a fools paradise. Why does a country with such an abundance of raw materials, technological skill and private enterprise know-how need to go further into debt?

The implementation of the Agricultural Adjustment Act of 1938 and later the Steagall Amendment generated prosperity during times of war and peace from 1940 to 1950. The National Economic Stability Act (NESA) proposed in this report is an improvement over the previous acts. NESA is a self-supporting program, thus reducing the cost of government. NESA will increase the earned income of individuals and broaden the tax base of federal, state and local governments.

This program will ensure the United States does not become a country of individuals without assets or freedom —that our free enterprise system is preserved.

Prosperity through earned income or false prosperity by increased debt —it's your choice.

Primary Supply: A Basic Perspective

1

The fundamental truth of economic well-being for the consumer as well as business, originates in the production, processing, distribution and utilization of raw materials. This idea, however, has not been taken to its logical and necessary conclusion—and until it is, the broken dreams and missed opportunities that trouble our economy and afflict our people will continue unabated.

The Consumer: The Economy in Microcosm

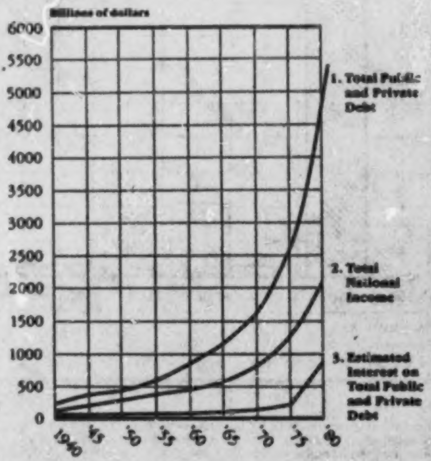
Macroanlysis of economy is, of course, important—the best way we have of judging the health of the whole. But this perspective can overlook a very elemental fact: the purpose of the economy is to deliver well-being to its citizens. If it cannot perform this crucial role then no matter how robust the GNP may look, the economy has failed.

This is precisely where the American economy is falling the shortest. Take a close look at the consumer's condition, and you see that times are every bit as tough as people claim.

1950-1980: The Thirty-Year Slide into Debt

To determine where the consumer is now, we need a standard of comparison. Let's take 1950 as the point of reference. The economy appeared healthy, the country was enjoying a brief period of peace. And the consumer was in good shape.

Performance of the U.S. Economy



Sources:

1.
"Flow of Funds Accounts" of the Federal Reserve Board of Governors, second quarter of 1981.

2. & 3.
Economic Report of the President, transmitted to Congress February 1982.

Interest amounts based on prime rates of 3.16% for 1955, 4.82% for 1960, 4.54% for 1965, 7.91% for 1970, 7.86% for 1975 and 15.27% for 1980.

The extreme debt and interest on debt weighing down all sectors of the economy shows how widely the primary supply depression has spread.

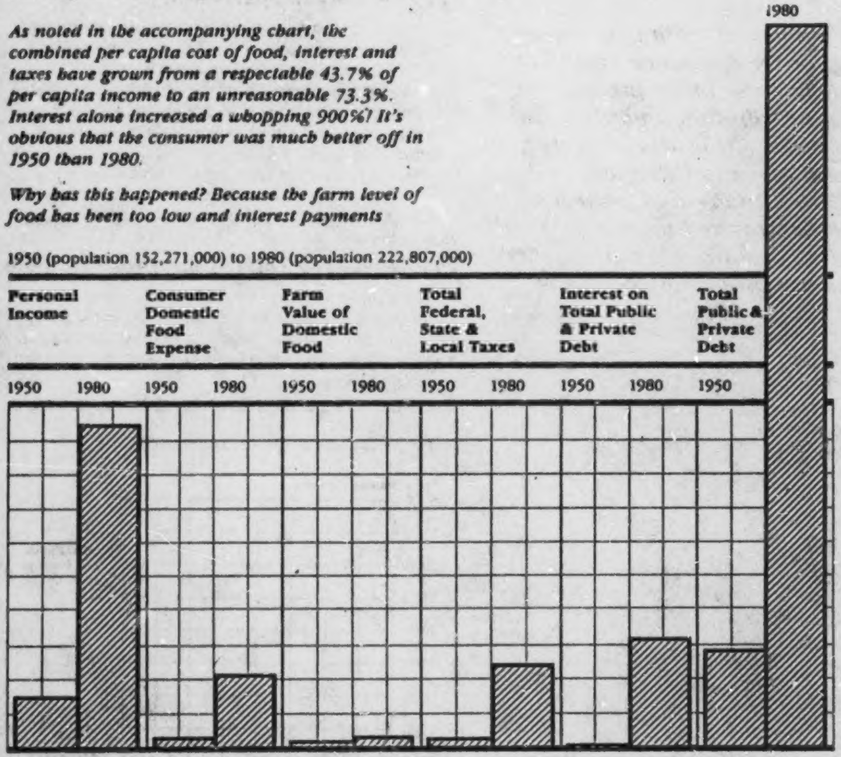
Per Capita Cost Comparisons

As noted in the accompanying chart, the combined per capita cost of food, interest and taxes have grown from a respectable 43.7% of per capita income to an unreasonable 73.3%. Interest alone increased a whopping 900%? It's obvious that the consumer was much better off in 1950 than 1980.

Why has this happened? Because the farm level of food has been too low and interest payments have been too high. If the farm value of food and fiber had been at the same 8% of per capita personal income in 1980 as in 1950, consumers (the national economy) could have generated $569.1 billion ($81.3 billion farm value of food times seven trade turns equals $569.1 billion; see graph on page 5) of additional national income in 1980 alone. Had this percentage been maintained over the years from 1950 to 1980, our need for debt would have been drastically reduced. In turn, the lower debt need would have lessened the interest burden on the economy, expanded our earned income, broadened our tax base and allowed for orderly economic growth thus minimizing inflation.

If farm commodity pricing were increased and maintained at 90%-100% of parity, the cost to the consumer would be in the range of 5% to 8% increase in food expense. This increase would be far outweighed by the additional income in the economy.

1950 (population 152,271,000) to 1980 (population 222,807,000)



	Personal Income		**Consumer Domestic Food Expense**		**Farm Value of Domestic Food**		**Total Federal, State & Local Taxes**		**Interest on Total Public & Private Debt**		**Total Public & Private Debt**	
	1950	1980	1950	1980	1950	1980	1950	1980	1950	1980	1950	1980
	$1,560	$9,502	$289	$1,167	$118	$365	$336	$2,577	$58	$3,223	$2,824	$21,107
Amounts as a Percent of Income			18.5%	12.3%	7.5%	3.8%	21.5%	27.1%	3.7%	33.9%	180%	222%

Sources:

"Flow of Funds Accounts" of the Federal Reserve Board of Governors, second quarter of 1981.

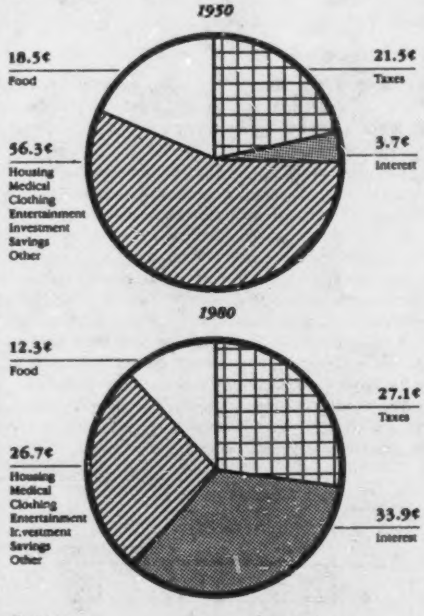
Economic Report of the President, transmitted to Congress February 1982.

Statistical Abstract of the United States, 1950 & 1981 editions; compiled by the U.S. Dept. of Commerce.

Historical Statistics of the U.S., Colonial Times to 1970, compiled by the U.S. Dept. of Commerce.

In 1950, per capita income was $1,560 per year. Of this amount, the typical consumer paid out 18.5% for food—low by the standards of most of the developed world—and 21.5% for taxes.

Per Capita Expenditures of Consumer Dollar



Sources:

"Flow of Funds Accounts" of the Federal Reserve Board of Governors, second quarter of 1981.

Economic Report of the President, transmitted to Congress February 1982.

Statistical Abstract of the United States, 1950 & 1981 editions; compiled by the U.S. Dept. of Commerce.

Historical Statistics of the U.S., Colonial Times to 1970, compiled by the U.S. Dept. of Commerce.

Over the past 30 years, our "cheap food" policy has created the difficult situation shown above. The shortage of earned national income that has been caused by underpricing many agricultural commodities (as well as other raw materials) has, in order that we maintain reasonable economic stability, required massive debt expansion, thus larger interest costs. The 6.2¢ we thought we were saving because we paid less for food has accounted for much of the 5.6¢ increase in taxes and the outrageous 30.2¢ in interest (most of which is hidden in the price of everything we buy). Again, when was the consumer and our economy better off — 1950 or 1980?

By 1980, the per capita income had grown to $9,502. Some of this growth was due to real increases in income, but much of it came from inflation, as the dollar lost purchasing power each year. The consumer now put out only 12.3% of income for food and 27% for taxes. In relative terms, then, the consumer's lot had apparently improved.

Except on one very crucial count. Back in 1950 the typical consumer was paying out 3.74% of his or her income for interest. In 1980 interest payments actually accounted for 33.9% of the consumer's income.

Think for a moment what this means: over one third of per capita consumer income went to pay interest on indebtedness. How had this debt arisen? And what does it mean for all of us?

A Pattern of Debt

The indebtedness weighing down the consumer and diverting over one-third of each individual's spendable income can be found in every sector and at every level of the American economy.

The federal government's continuing deficit is well-known and widely publicized. The problem has gotten worse by the year. Government has now become such a major user of borrowed funds that its actions are a principal determinant of interest and money market rates.

Business, too, is the captive of growing indebtedness. The private sector requires continual infusions of borrowed capital; financial expertise rather than entrepreneurial capacity has become the way to corporate success. Business fortunes rise and fall with the interest rate. When the rate becomes too high, as has happened the past several years, businesses strangle slowly. Incapable of surviving on their own resources, cut off from sources of affordable funds, business stagnates and firms collapse by the thousands.

Competition among consumers, corporations, and government for a finite supply of funds has, by operation of the laws of supply and demand, driven the prime rate up and up. In 1950, our baseline of economic health, loans from banks, equaled 33.7% of deposits, and the prime rate was a mere 2.07%. In 1980, when growing indebtedness was signaled by a loan to deposit ratio of 81.2%, the prime rate had soared to 15.27%. In fact, the prime rate has been higher longer in recent years than any time since the Civil War.

Where the Debt Begins

To understand how we have sunk into this economic morass, we have to step back for a moment and look at the economy in fundamental terms.

The American economy begins with raw materials. Without a continuous supply of raw materials, productive sectors cannot produce, consuming sectors cannot consume, and exchanges of goods and money cease. The economy grinds to a halt.

The whole of the American economy depends on the primary suppliers, the industries that produce raw materials—namely lumber, fishing, mining, and agriculture. When they are receiving equitable prices, the whole economy is healthy. But if they are receiving substandard prices, their debility handicaps us all.

America's pattern of indebtedness originates in the primary-supply sector. Farming, which represents 70% of the primary-supply production, best demonstrates the causes and the consequences of debt.

Borrowing This Year to Pay for Next

Agriculture is one of America's biggest technological success stories. Not only does the United States feed itself abundantly; it is also the world's largest food exporter. If farmers and ranchers stopped producing, starvation would spread throughout the world. The reason for America's premier position is productivity based on sophisticated agricultural techniques and mechanization. At the end of World War II, one farmworker produced enough to feed 14 people. Now that same farmworker can fill 50 or more hungry mouths.

Yet, despite this enviable record, agricultural earnings have fallen. Today's sophisticated farming industry earns less per acre in real dollars than its much less productive post-World War II counterpart.

The culprit in agriculture's downturn is commodity prices. In 1950, commodity prices were strong. The ratio of prices farmers paid for factors of production to the prices they received for their crops—a figure called parity ratio—was about 100, as measured by the United States Department of Agriculture. By 1980, the parity ratio had fallen to 64.

Agriculture has been squeezed tight by prices falling relative to expenses. Because agriculture earns less income than it needs to support itself, farmers must borrow. Between 1950 and 1980 the ratio of debt to equity in agriculture has more than tripled. This swelling burden of debt has decreased the number of farms, cut personal income to agricultural entrepreneurs, and shrunk the farm tax base.

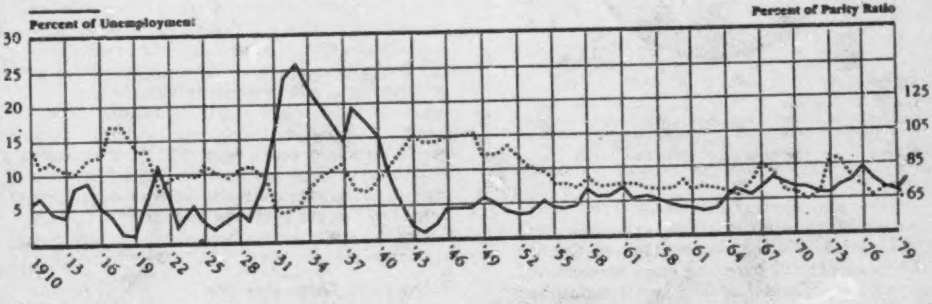
The Origin of Debt

The debt that afflicts the entire American economy—from the household budget to the federal deficit—actually originates in agriculture's cycle of inescapable indebtedness.

The economy begins with primary supply; all economic sectors depend ultimately on extracted raw materials. What is true of physical production is also true of the flow of money. The economy's many exchanges of money begin in the primary supply sector's use of the money it receives for raw materials to pay for such factors of production as rent, capital investment, amortization, and so forth. The firms and individuals that receive this money use it to pay for their own factors of production. The recipients of this money also use it to pay for production factors. On and on the cycle goes.

The money cycle is the basis of what economists call the multiplier effect. It is an accepted fact that every dollar received as gross raw material income in a given

Parity Ratio Compared to Unemployment



Sources:

Unemployment
Historical Statistics of the U.S., Colonial Times to 1970; Statistical Abstract of the U.S. 1978; March 1982 Economic Indicator.

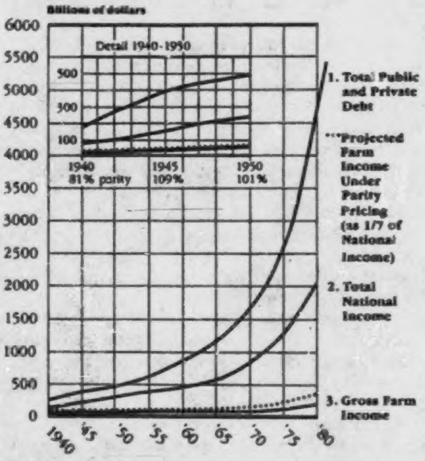
Parity Ratio
Crop Reporting Service/USDA

The importance of Agricultural income to the health of the National economy is clearly shown by the relationship of the parity ratio to unemployment rate.
Except in some special cases, the basic relationship shown above is evident. First, when the percentage of parity ratio increases, and tops out, within the following year the percentage of unemployment decreases and bottoms out. When the parity ration bottoms out, within the following year unemployment tops out.

year enters five to seven subsequent exchanges—in a sense, $1 becomes $5 to $7.

The multiplier effect is the key to understanding the central role of the primary-supply sector in the economy. Production begins here; so does the flow of money. If the primary supply sector receives adequate income, then all the other sectors will receive adequate income. But if there is an income shortfall, then everyone down the line also comes up short.

Performance of Agriculture Compared to the U.S. Economy



Sources:

1.
"Flow of Funds Accounts" of the Federal Reserve Board of Governors, second quarter of 1981.

2. & 3.
Economic Report of the President, transmitted to Congress February 1982.

Historically, when the economy prospers farm income equals 1/7 (based on 7 money exchanges) of national income. By comparing projected farm income to national income in the above graph, it can be seen that this ratio existed from 1940-1950 (Steagall Amendment parity years). Since the Steagall Amendment's demise in the early 1950's, lack of parity pricing in agriculture has forced the economy to borrow to retain a reasonable level of business activity.

The interest on this debt is staggering and has resulted in drawing down disposable income, which removes tremendous amounts of money from general circulation (less than 7 money exchanges) and puts it in the hands of a small group (noteholders). A return to parity of certain agricultural commodities will restore earned income and allow money exchanges to again become our basis of prosperity.

This is exactly what's been happening. Low commodity prices have cut agricultural income—and, in turn, the income of every other sector and industry. For each $1.00 agriculture loses, the economy's money cycle loses $5.00 to $7.00.

The evidence is all around us, in long unemployment lines, shuttered factories, rising debt, and strangling interest rates. Something—the right thing—must be done.

The Key

If economic policy is to succeed, it must aim at the root cause of the current malaise: primary-supply depression. We need a new policy focus.

The health of the primary-supply sector determines the health of the whole economy. Revitalizing primary supply means increasing net income. And that means equitable raw materials prices.

The National Economic Stability Act 6

Long reliant upon raw-material prices that are too low to support a true prosperity, the American economy cannot restore itself through free market forces alone. This is because the free market system today does not function due to the concentrated power of raw material marketing conglomerates. In order to put the economy back on the right track we must enact a new law.

The National Economic Stability Act (NESA) is such a law. Simply, this proposed law establishes a basic price structure for the most primary of all primary supply products, namely storable grains, potatoes, and meat and dairy animals. These commodities are the basic food and feed products. Once they are priced correctly, the prices of other agricultural products and other raw materials will fall into line, laying the foundation for prosperity and stability.

The Main Provisions of NESA

NESA isn't simply one more commodities law. It is the whole law. NESA replaces all existing farm and agriculture statutes affecting the covered commodities.

1. NESA eliminates current federal crop subsidy, financing, and commodity buying programs.
Since NESA will establish a new and truly fair market, continued government intervention will be unnecessary. Government may purchase food for such programs as foreign aid and school lunches, but it must buy all such commodities on the open market and pay the same price as other buyers.

2. Prices for storable foodstuffs and fiber (corn, wheat, barley, oats, soybeans, rice, cotton, potatoes, milo) and for livestock, dairy animals, and poultry will be set at a minimum of 90% of parity and a maximum of 115% of parity.
These prices will be based on USDA figures drawn from the 1910-1914 base period, and they may fluctuate within the limits as the market demands. To ensure uniformity, the Consumer Price Index and the Wholesale Price Index will also be reset to fit the parity price structure.

3. The minimum wage equals the parity price of a bushel of corn.
This feature ensures the adjustment of the whole economy to the new price structure for primary-supply products, and it guarantees mass purchasing power sufficient to absorb the supply of those products at the new market prices.

4. Agricultural producers may plant the crops they wish in the amount they wish, but they can sell only what the domestic and export markets will absorb.
Production-for-sale quotas for each producer will be authorized by Marketing Certificates issued annually.

5. Excess product (i.e., over the amount allowed by the Marketing Certificate) must be stored at the producer's expense.
The stored product will provide an important hedge against bad weather and crop failure. Also, it can provide the basis for establishing a National Food and Fiber Reserve, which would greatly strengthen the nation's defense. This provision distinguishes NESA from the current parity pricing law for milk, which encourages overproduction by obligating the government to buy excess production no matter how much it exceeds actual demand.

6. Imports of the products governed by NESA must be priced domestically at 110% parity.
This provision is needed to prevent the domestic market from being flooded by cheap commodities from abroad. Ultimately, too, NESA will work to the benefit of raw materials producers overseas, by guaranteeing them a fair and adequate price for their products and thereby establishing their economics on the firm foundation needed for sound economic development.

Making NESA Work

Implementing NESA requires only a simple organizational structure, one that gives agricultural producers a major voice and that trims governmental involvement to the minimum necessary to ensure efficient and impartial administration.

Prices for regulated commodities will be set monthly for each Farm Credit District by the U.S. Department of Agriculture under the supervision of the National Board of Producers. The Board, chaired by the Secretary of Agriculture, will be elected by producers of the covered commodities. Each Farm Credit District will elect one member. Every county and state agriculture department will be advised by similar producer boards comprising three regular delegates and two alternates, all of whom must be producers of one or more basic commodities.

It will be the responsibility of the National Board to establish domestic and foreign demand before the production season begins and to update these figures every quarter. The Board will also issue Marketing Certificates and update them quarterly. Certificates will be based on the production history of each grower in 1980-81, with allowances made for new and retiring producers as needed. If the National Board finds that demand falls below 1980-81 production levels, the shares of larger than average producers will be fractioned downward.

To ensure compliance with NESA's regulations, sellers and buyers must report first-entry-to-market transactions to the county ASCS office on a monthly basis. This requirement also covers co-ops, which are allowed to store, process, and market all members' produce covered by Marketing Certificates. Covered production may also be used as collateral for loans.

Contractors who buy or sell at prices above or below the set levels will be fined three times the dollar amount of the transaction. Fraud, including selling without a Marketing Certificate, will be subject to other legal penalties.

A commodity tax will be levied on each covered commodity upon first entry to the market. The amount of the tax will be computed to cover the cost of administering the program plus commodity marketing promotion and production research. The tax is to be included as an expense in the parity formula, so that domestic and foreign consumers and buyers will be contributing to the programs.

In keeping with NESA's self-sufficiency, all CCC loans will be transferred to private banks and financial institutions, and all federal programs governing the commodities regulated by NESA will be suspended. Likewise, special concessions granted to corporations engaged in productive agriculture will be suspended. In short, agricultural subsidies for the effected commodities will end.

America's New Economic Promise

The National Economic Stability Act, by restoring the proper balance between the market prices and production costs of agricultural products, creates only a minor structural change in the American economy. NESA is a restoration, not a revolution. But this one, seemingly small alteration can profoundly better the many economic problems we face.

America is beset by a painful variety of troubling economic ills:

- ☐ ***Federal deficit***
- ☐ ***High interest rates***
- ☐ ***Inflation***
- ☐ ***A lack of capital reinvestment***
- ☐ ***High unemployment***
- ☐ ***Compounding public and private debt***

NESA will go a long way toward remedying each of these maladies permanently.

Balancing the Federal Budget

A balanced budget is necessary to any economic recovery. NESA will help achieve this goal in two ways.

First, the bill significantly cuts current agricultural appropriations by reducing the administrative role of USDA and by replacing the crop-support loan program with market forces. In the 1982 budget alone, these changes would cut about $35 billion.

Second, the tax base will expand and tax revenues will increase. This effect will be seen first in the primary-supply sector. But as the increased income to that sector moves through the rest of the economy, gross income will increase in other sectors as well, thereby increasing the tax base. The same effect will occur in personal income as well as corporate income, when increased demand pushes wages up and widens employment opportunities.

A Return to Stable Interest Rates

The American economy has been almost fatally crushed by a burden of debt caused ultimately by income shortfalls arising in the primary sector depression. To make up for the lost income, managers and entrepreneurs in all sectors have borrowed. This solution, however, is only temporary; repeated income shortfalls mean repeated trips to the credit well. Competition for money, made even worse by a deficit-spending government's demand for funds, has pushed interest higher and higher.

NESA and restored price-cost equity will put an end to the debt spiral. Balancing of the Federal budget will take government out of the money market and lessen competition for funds, as will increased gross income to all economic sectors. Increased gross income will also allow firms to retire existing debt more quickly, thereby increasing loanable reserves and adding to the supply of money even as demand for that money falls. Interest rates must also decline.

Inflation

The lessened burden of debt will remove a primary cause of depression. Since producers and middlemen will no longer have to turn to credit to make up income shortfalls, price creep due to rising interest rates will no longer occur. In addition, the establishment of a price-cost balance in the primary-supply sector will tend to promote a similar balance in subsidiary sectors.

The Promise of Full Employment

Because of the multiplier effect, increased gross income to the primary supply sector will increase the income of other sectors. Demand will rise, forcing production up. This expanding industrial base will draw in more and more workers. Unemployment lines will shorten, perhaps even disappear, and the welfare burden will lessen substantially. America could become the worker's mecca it has always promised it would one day be.

Reindustrialization

As income and demand increase, investment in new capital goods to increase production will become more attractive. Producers will add to productive capacity, widening the market for capital goods. American industry will finally accomplish its long-needed retooling.

NESA: A Real Beginning

NESA is a simple and straightforward law aimed at creating economic balance. And it can work.

NESA is not a welfare program. It is, in fact, just the opposite. It creates a structure that will free producers to do what they do best—produce. Government is not charged with running the economic game—as it has so often tried, and failed—but with merely ensuring that the rules of that game are observed.

Nor is NESA a narrow law designed to guarantee the prosperity of only one group. NESA will help the whole economy, from the firms that produce primary-supply products to their ultimate consumers. With a fair price structure ensuring both an abundant supply of raw materials and the personal and corporate income needed to purchase them, the economy will provide growth and prosperity for all.

In Memory

"Blessed are they who hunger and thirst after justice for they shall have their fill."

Ours is a world blessed with the potential for peace and abundance for all. But lust for power and greed for wealth on the part of a few have driven mankind to new lows of economic injustice and human suffering. ***The underpricing of raw material wealth has unleashed the tyranny of massive debt worldwide*** *with the result that entire nations are bankrupt. Hunger and starvation are rampant throughout many parts of the world while America's granaries overflow and our farmers are driven from the land. Even in the so called "wealthy nations," unemployment and bankruptcy are commonplace. At the local level, crime is on the increase as desperate people face a hopeless future. International frustrations have spawned wars in almost every corner of the globe until the spectre of worldwide holocaust threatens the very future of mankind. It is the responsibility of us all to study and to understand this phenomenon and to bring that understanding to others so that justice and peace may prevail.*

Some who did understand were ***William Davis Struckmeyer, Carl Wilken*** *and* ***Arnold Paulson****.*

We gratefully acknowledge their years of service in bringing that understanding to others as well as the many contributions these men made to this report.

PARITY

THE KEY TO PROSPERITY UNLIMITED

Why parity? Answer: the U.S. Constitution requires it. Subsection 5 of Section 8 of the U.S. Constitution was adopted in order to establish for "ourselves and our posterity" a par economy. This subsection authorizes Congress to regulate the value of money. Once before Congress passed legislation based on this constitutional authority. The result was a decade of par operation for the United States. During this period no great surpluses were built up, debt didn't run rampant, farmers enjoyed parity prices at the marketplace and government balanced the only budgets between the Depression of the 1930s and the present. This may be the most important book you'll ever read. Learn the answers, then pass it on.

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TESTIMONY FOR THE HOUSE AGRICULTURE COMMITTEE

Presented by Douglas Young
on May 17,1985

I am a 29 year old dairy farmer. I am fortunate to have been accepted as a partner in the family business by my father and brother. We milk 250 cows. I am married and have a young son. I am currently serving as the Chairman of the New York Young Farmer and Rancher State Committee, which is part of the Farm Bureau organization. The comments I have prepared reflect by own personal view and, more importantly, the views of the Farm Bureau. I will concentrate my thoughts in the area of dairy policy.

The agricultural industry must maintain as its goal the will to produce a quality product at the least possible cost. As soon as agriculture or any other industry fails to keep this as its goal, it has started down the road of decline. The best interest of the average American consumer must be served or the consumer will seek alternatives. We as producers, processors, and public officials have to keep this point in mind as we develop long-term agricultural policy.

No one can hide from the market forces in the long run. Throughout history man has tried to ignore or postpone the effects of changing market conditions. Inevitably, all attempts eventually fail. Since it is impossible to ignore the market signals in the long run, it is far better to adjust to the market signals sooner rather than later. When an industry expands on the basis of an artificially high price, it requires a substantial decline in price to squeeze the industry back to its appropriate production capacity. This is the situation we must avoid in the future.

I firmly believe that the average farmer will be better off and the consumer will be better off in the long-run if the prices are allowed to respond quickly to the market signals. Under such a pricing system farmers can react quickly to changing demand. If such a flexible, market responsive dairy pricing system had been in place in the late 1970's, we wouldn't be going through the major readjustment that is taking place now. I am pleased that most dairy groups have agreed that the price of milk has to be more responsive to market conditions.

I enthusiastically endorse the Dairy section of the Farm Bureau Farm Bill. I feel that it deals with the problems and realities of the dairy industry very effectively. If enacted, it will lay a flexible framework on which the dairy farmers in this nation can:

1. Make business decisions based on a long-term, clear-cut pricing structure. We will know that the price will be

determined by supply and demand and not on the ideology of the policy makers who happen to be in office. It is too easy for policy makers to fall into the trap of raising farm prices to help the farmers without consideration of the market signals. As we are seeing with the current dairy situation, raising the prices artificially does much more harm than good in the long run.

2. Operate in a competitive environment which encourages rapid acceptance of new technology and efficient production which benefits the consumers and strengthens the competitive position of the industry. Through this process the producers are ensured a continued market for their product.

I hope that you will incorporate the ideas of the Farm Bureau Bill. It is a proposal based on years of debate and compromise by thoughtful farmers. The process involves grass roots participation and democratic decision-making. I have witnessed and participated in the Farm Bureau policy process and have become convinced that the resulting policies truly represent the combined wisdom of the producers.

AGRICULTURAL CREDIT

Another area that I want to address is the Farmers' Home Administration's lending practices.

The Fm.H.A. does have a necessary and desirable purpose to provide opportunities to people who want to become farmers. If someone shows potential to succeed at farming but does not have the equity to secure loans from commercial sources, then a loan or loan guarantee from Fm.H.A. is a great idea. Disaster loans are also appropriate in certain circumstances.

Unfortunately, the Fm.H.A. has strayed from its original intent. There are some problems which have implications on all of us and which need to be addressed very soon.

I wholeheartedly believe and Farm Bureau policy states that:

1. "We are concerned by the possible unwise use of Fm.H.A.'s present services and loans. We recommend a reevaluation and revision of the Fm.H.A.'s present loan qualifications and loan limits. Loans once made should be subject to periodical review to meet the test of commercial lending institutions."

2. "We recommend that anyone who is unable to build up enough equity to get financing from other institutions after ten years should not continue to be financed by Fm.H.A."

3. "We oppose any moratorium on Fm.H.A. loan foreclosures."

It is clear that many times Farmers Home lends money to farmers who have virtually no potential to repay the loans. I argue that lending money to someone who is very unlikely to survive doesn't do anyone any good.

The farmer involved is hurt by it. If I were in a situation where I was losing money year after year, my creditor would not be doing me any favor by lending me more money. I would be much better off to get out of the business before I wasted any more effort and money in a losing venture.

The industry is hurt by it. If Farmers Home keeps unprofitable farmers in business with cheap credit, the extra product that is produced merely keeps the price of the commodity lower and makes it that much more difficult for all the producers.

The taxpayers are hurt by it. Taxpayers money is being wasted when bad loans are made. I have yet to be made aware of any way that the public good is served by such loan practices.

The only ones who benefit from maintaining large loans to farmers are the people who are paid to administer them.

SPENDING CUTS

Agriculture would benefit if the necessary cuts would be made in government spending. Agriculture is certainly cutting back. As you are all well aware, if the deficit could be reduced, the interest rates would probably decline. A drop in the interest rates would do more to improve farm profit than the farm programs could do.

I hope the Congress will take a close look at the recommendations by the Grace Commission and other groups to aid you in cutting the cost of government.

INTERNATIONAL TRADE

Foreign countries are selling agricultural commodities in the United States at prices below the cost of production. This practice is commonly called "dumping". This problem poses a difficult policy dilemma. On the one hand we are crazy not to buy their goods at low prices. If foreign countries want to subsidize the foods we eat, why not let them.

On the other hand, the farmers in this country who are trying to compete with these subsidized goods are losing money. Not because they are inefficient but because some foreign country has decided to help their farmers out.

I have been toying with an idea for several years that may have some potential for solving this dilemma. This idea is not Farm Bureau policy. Its an idea I dreamed up which hasn't been well thought out. I bounced it off Professor Daniel Sisler at Cornell who knows quite a bit about international trade and he said it was worth telling you about. It may turn out to be worthless but you never know....

An agency could be set up to buy agricultural products from foreign governments if those products are:

1. priced substantially below the foreign countries cost of production.
2. priced substantially below the U.S. domestic price for that commodity.

The agency would then sell the products in the U.S. at the going U.S. price. Profits would result. The greater the subsidy by the foreign country the greater the profit.

This profit would be used to entice American farmers of that product to stop producing it. This would be done by a system of bidding by the farmers. Farmers interested in cutting back on the production of the commodity would make a bid to the agency for the amount of money they would have to be paid to justify cutting back. The lowest bidders would get the set-aside payment and domestic production would be curtailed to prevent a flooding of the market.

Presumably, foreign treasuries would find that heavy subsidies of large quantities of exports would be too expensive and the subsidy programs would be cut back. "Dumping" would become less common and less substantial, set-aside contracts would end and domestic producers could stand on their own again.

This is a simple view of a very complicated problem, but it may have some merit. The advantages of such a program would include:

1. Foreign countries would be selling to us for less than it costs to produce the goods.

2. U.S. farmers would not be permanently displaced by unfair competition.

3. If the export subsidies of foreign countries declines, our farms would still be intact to resume production.

4. We would be dealing with unfair trade practices in a way that would help solve the problem without fear of harmful retaliation by other countries such as tariffs, quotas, etc...

Thank you for your interest in the thoughts of those of us who will be affected by the policies you are formulating. We as young farmers with a long future in agriculture ahead of us, have a keen interest in the direction federal agricultural policy is taking. Business is inherently risky. Efforts by government on behalf of producers or processors to make our business risk-free would be disastrous for all concerned. A business without risk is a business without profit.

Again, thank you for your kind attention.

The Delaware County Farm Bureau is deeply concerned about the future of the dairy industry. As Congress looks to rewrite the Ag Bill for 1985, we support the efforts of the American Farm Bureau, as outlined in Reference number 528 of "1984 Farm Bureau Policies", to find a "market oriented solution".

It should be remembered that the situation we are in today did not occur overnight. Rapid solutions will have a devastating economic effect across the country. As new ideas surface, and discussions develop toward a final Ag Bill in 1985, we would urge all interested persons to give careful consideration to the effects of the proposals. Keep in mind the Federal government reduced level of commitment to agriculture. Check where in the milk supply pipeline, the proposal would bring pressure to bear to help solve our current problems.

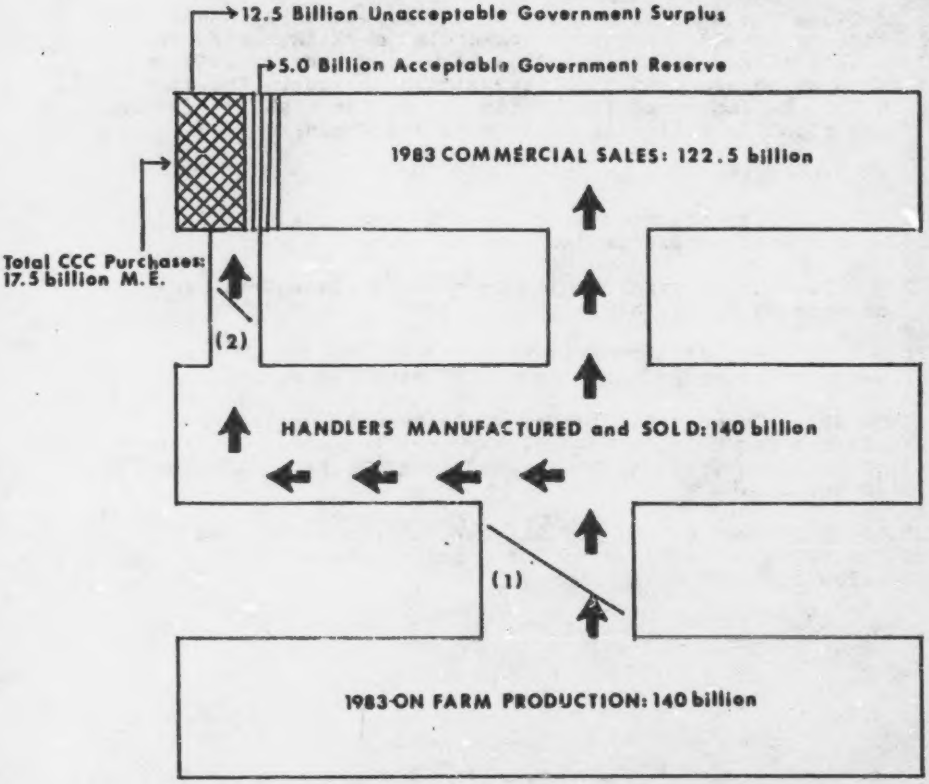
The chart on page 2 shows the flow of milk from farm to manufacturer to market. It is a fact that once milk leaves the farm, farmers have a very limited say in what happens to it. This fact limits the success of any plan that pressures only the farmers (line 1) and leaves manufacturers and government doing business as usual.

The Delaware County Farm Bureau believes that the Auction of Certificate concept (line 2), page 3, could be used to increase the pressure on both farmers and manufacturers to expand commercial markets. We believe this concept, properly administered by Secretary of Ag, could return the dairy industry to a strong market supported system over a period of time. We are willing to discuss this concept or others at any time.

Steve Reed, Pres. Term up
(607) 746-3622

Now Pres. Don Martin, V. Pres.
(607) 538-9626

1983 Milk Production and Sales


12.5 Billion Unacceptable Government Surplus
5.0 Billion Acceptable Government Reserve
1983 COMMERCIAL SALES: 122.5 billion
Total CCC Purchases: 17.5 billion M.E.
(2)
HANDLERS MANUFACTURED and SOLD: 140 billion
(1)
1983-ON FARM PRODUCTION: 140 billion

(1) Most plans offered so far, restrict milk flow at this point.

(2) Certificate Plan would restrict milk flow between Handlers and CCC. This would force both Handlers and Farmers to pay attention to commercial markets.

The expense of selling milk to C.C.C. should closely approximate the expense of serving markets outside of production areas.

Because the ease of selling to C.C.C. destroys incentive to develop and serve commercial markets, Delaware County offers this resolution as a long range solution to provide economic stability within the dairy industry: C.C.C. be impowered to auction off to the highest bidders the right to sell milk to them at the support price.

WE RECOMMEND:

1. Certificates be offered in a quantity sufficient to cover the whole projected surplus.

2. These certificates be sent on request to processors desiring them.

3. All certificates redeemed at the end of one month be reissued, minus a stated percentage.

4. These certificates would then be pooled and offered for sale to anyone, anywhere (within the borders of this country), with the need to store product within the C.C.C.

5. That C.C.C. buy all surplus production not covered by a certificate for a price substantially below support.

For the Record
William Vargulick

Farming For The Future

This program is designed to encourage farmers to keep production in check. I would like to see a milk tax of $1.00/cwt. This would be returned to the farmers who held or reduced production. We would set up a floating base that would be quarterly and two years previous. I've set up three refund catagories. If your quarterly base is less than 500,000 lbs. and you produce within 5% of it, you would get your $1.00/cwt. returned. If you dropped more than 5% you would receive $1.25/cwt. If you increased over 5% you would not get a refund.

The second quaterly base is between 500,000 and 1,000,000 lbs. If you produced within 2½% over or 7½% less you would be refunded your $1.00/cwt. If you increased more more than 2½% you would not get your refund. If your decrease was more than 7½% you would get $1.25/cwt.

The third group would be a quarterly base of over 1,000,000 lbs. You would need to produce within 1% over or 9% under to get your $1.00/cwt. refund. Increasing more than 1% you would forfeit your refund. Dropping more than 9% would earn you $1.25/cwt.

In the case of a new farmer who does not have a two year previous base we would need two signatures to refund the milk tax. One signature from the plant you sell your milk to and one from your banker or accountant, stating that it is truely your business. This would prevent loopholes or misuse.

This program goes against the free market system but some restraint is needed for the good of everyone. Education and advances in herd health, nutrition, milking systems, and cropping practices have paved the way for overproduction. Hog and poultry systems were faster to overproduce their market and look where it has gotten them. They operate on a very thin profit margin.

This program would encourage farmers to work towards more labor, production, and cost efficient operations therefore increasing their profit/cwt. of milk produced. Without any incentive to remain at our present production, we all feel tempted to produce more and more. Stability in the market should benefit all of agribusiness.

Burlington, Vt
Copake, New York
13 April 1985

Dear Congressman,

Thank you for this oppertunity to present my feelings on dairy issues.

I would like to correct a statement made by the gentleman from Massachusettes that our cost of transportation in the East is less, because we are closer to the market.

Quite the opposite is true. My milk truck makes one trip per day, about 70 miles to Hartford. In the midwest it is common to use a straight truck that costs less to operate, and make two trips per day because the milk plants are closer to the farms. The cost of hauling in Wisconsin is about half of that common here in the East. My cost for hauling milk was 67.7¢ per cwt. for last month. Our cost for hauling just went up about 10% because of the bridge collapse in Conn. The state went to strict enforcement of the bridge-weight law and the trucks had to reduce their payload by about 10% to meet specifications. I would point out that the entire extra cost of hauling was paid for by the farmer and not one cent came from the consumer.

I would now like to address the problem with the Federal orders. As Mr. Lewis is well aware one problem with the diversion program has been spot shortages of class I milk. The Florida area was most severley affected. Nedco in New York was also affected. It is my opinion that the class I differencials all up and down the east cost have to be increased. Also the way the orders are written the coops stand all the exra cost of supplying the market, in this situation Dairyman inc. and Nedco. The benifits are distributed evenly. Again, both the handeling allowance and the transportation differencals need to be increased.

The coops that operate in my area are Nedco, Eastern, Dairylea and Agri-Mark. Agri-Mark, my coop is probably the soundest.

I still must pay monthly dues of $25 plus 4¢ per cwt. to sell my milk. I must also invest my money in Agri-Mark plants. I have about $18,000 invested and I didn't recieve one cent form Agri-Mark as intrest on my investment last year. It is all to easy for the market administrator to wag his finger and say they didn't pay attention to business. It simply cost more money to supply a fluid market because part of the time your plant must sit empty. Several years ago it happened that the price Wisconsin Dairys paid as a dividend, 25¢ per ctw. as I recall, was in the same paper as the assesment that Dairylea members had to pay. Using the 30¢ difference in the hauling rate that prevaled then it was easy for me to figure out tht my neighbores shipping to Dairylea were getting less for their class I milk than the class II producer in Wisconsin. Why should fluid milk bring less in Hartford Conn. than milk delivered to a cheese plant in Wisconsin? Where is that rich Eastern market I heard about in collage?

Ther are three rules of material handeling. 1. Don't 2. Move it in larger batches, and 3. Move it continuous. The first rule gives us a sound economic reason to charge differencials. Say it cost less to produce milk in California than in Florida, as I think is the case. It makes no sense to have the government maintain the same low price in Florida only to cause milk to be shipped from California. In the end the consumer pays the California price, plus the cost of transportation. Milk should be produced where it is needed.

Dr. Stammer stated that the milk supply became a problem when the support was raised to 80%. I think Dr. Stammer is taking to narrow a view. In his book Agricultural Policy of the United States , Halcrow states; "Storage programs have two effects on resource use, 1. They create price certainaty--- 2. They change the distribution of resources among commodities." That means that when the government storage program for grain was ended and they went to the target price, the effect was to draw resources into dairy where the storage program was maintained. As I recall the point was made by the UADA economist that dairy should go to target price at the same time, but Mr. Healy's NMPF killed that proposal off.

The statement was made by several that the government should get out. I think that a good case can be made for that statement. In 1979 the government purchased only 1.1 billion pounds of milk. Most of that was needed for government programs. Had the price support program been ended before that date, anyone producing beyond the needs of the market, would have had to pay the storage cost. If the government didn't guarantee a market for every last drop of milk produced, it wouldn't be produced. If the government didn'tguarentee a market we would have been spaired the build up of a million head of cattle. These cattle represent an investment of at least three thousand dollars each and so represent a total investment of at least three billion dollars. Dairy farmers must now walk away from that three billion dollar investment before supply drops to demand.

While I was a student at Iowa State University I had the plasure of being addressed by perhaps the most famous farmer in America, Roswell Garst. I found him a very plan spoken man, but every sentence had a piece of meat as big as your plate. One of his statements was"Oats are the surest crop in Iowa.... The surest to lose money." Roswel Garst was not oposed to taking a certain amout of risk. He also prospered.

I think we in the dairy business must also be willing to accet a certain amount of risk. I think we can also prosper.

I do not like the target price plan because I do not see how the coops could clear the market and still survive, perhaps with help they could. I am not crazy about the NMPF plan either. I guess its just not plain enough. I guess I have to propose my own.

I would pick an amount of money I wanted to spend, Wack it up into 28 pices and accept bids for milk equivelant every two weeks. Who ever offered the greatest amount of milk would get the money. All others would have to wait two weeks and try again.

It's called the Langdon Plan.

Good luck

G. Dinehart Langdon

Remarks U.S. House Agr. Committee - Syracuse 5/17/85

I am a N.Y. farmer. Recently the Federal milk marketing order that covers much of N.Y.S. found it necessary to invoke the power to issue an order to handlers to supply enough milk for the fluid milk needs of the market covered by the order. Apparently the operation of the order had resulted in handlers preferring to market milk as manufactured products first choice. The picture presented in N.Y.S. is not one of overproduction in NYS for NYS markets.

The national picture is one of overproduction; the remedy is deemed to be, of necessity, a national remedy. N.Y. agriculture is cited as NY State's largest industry, dairy farming is a major portion of this industry. There are, of course, reasons for this. Simply stated, it can be said that much of the land base and climate in N.Y.S. determines dairying to be the ~~use~~ best use of soil and water; in much of NYS the only viable choice to produce for human consumption.

If dairying is not a major industry in some areas of the U.S.; if areas exist where there are alternatives for agriculture besides dairying; if dairying in some areas of the U.S. use resources in limited supply, either of land or of water; if areas produce dairy products surplus to the needs of their markets leading to long distance transportation and costs; if any or all of these conditions exist, this New York farmer hopes that national farm policy can be developed to achieve better balance of agriculture and dairying for the nation, New York State and New York City.

Yours Truly
Edward M. Bauer
R.D. 1 Hammondsport
New York 14840

Testimony before the Committee on Agriculture of the United States House of Representatives

Elizabeth G. Crockett
2 Willowbrook Lane, Apt. 3
Manlius, New York
May 17, 1985

Good morning ladies and gentlemen. My name is Elizabeth Crockett. I am the nutritionist for the P.E.A.C.E.,Inc. Head Start Program here in Onondaga County, and have been have been involved in community efforts to meet the food needs of low income county residents for several years. I am here to speak in support of a program which is important to members of your committee, and crucial to the well-being of low-income consumers, as well as beneficial to food producers and marketers.

The food stamp program is the only U.S. food and nutrition program that serves entire families. To be eligible, households must have income of less than 130 percent of the poverty line and meet certain criteria in regard to work and assets. Nationally, 78 percent of program participants are children, elderly persons, disabled, or single parents caring for children under age six. Fifty-four percent are children under age 18. The food stamp program is a major factor in the nutritional well-being of these people.

I urge you to support the bill introduced by Mr. Panetta, HR 2422, which would improve the food stamp program in several ways. First, the bill would update the Thrifty Food Plan on a more timely basis. Food stamp allotments would be based on October food prices rather than June prices. Because the costs of food continue to rise, this measure is important to prevent the erosion of the food buying power of program participants. Second, the Panetta bill would make SSI and AFDC recipients categorically eligible for the program. This would streamline the application process for elderly persons and AFDC recipients, and help to keep down administrative costs.

In addition, the bill would allow asset limits for a regular household to rise from 1,500 to 2,200 dollars (excluding the value of a home and a car), and the asset limit for a two or more person household where one or more people are elderly to rise from 3,000 to 3,500 dollars. The allowed value of a car would increase gradually from 4,500 to 5,500 dollars. This moderate increase in the level of assets allowed is very important to the growing number of families who need the program on a temporary basis when the breadwinners have lost their jobs and are searching for new ones. This provision has special meaning in the Syracuse area, where many industrial jobs have been lost in the past few years, and will be lost in the coming months.

Finally, the Panetta bill would increase the deductions allowed for medical care and shelter costs in some circumstances. These provisions are crucial for the elderly and for all who face increasing costs for health care and housing.

I urge you to continue your very strong support of these provisions so that the food stamp program can better serve needy people in Onondaga County and throughout the nation. I would like to point out that the budget resolution which has been passed by the House Democratic Caucus includes food stamp allocations that would be sufficient for the provisions of the Panetta Bill.

I also hope that you will consider several food stamp proposals to be included in Mr. Roybal's bill, soon to be introduced, which will further address the needs of the elderly and disabled. One would allow elderly households to maintain a burial fund of 1,500 dollars. The other would allow the cost of special diet needs to be counted as a medical expense.

RD2 Box 536, Darling Rd
Greene N.Y. 13778
May 12 1985

Honorable "Kiki" de la Garza, Chairman
House Committee on Agriculture
Longworth House Office Bldg
Washington D.C

Dear Mr. de la Garza:

As I am unable, to attend your hearing May 17th in Syracuse, I am still vitally concerned with the economic health of farming (agriculture i.e) in this Nation....... Specifically with the Northeast States. I am a life-time farmer....... here are my recommendations;

A realize testimony of Northeast farmers is stereotyped — based on greed and lack of self-control. And a large measure of refusal to look at their own follies, and themselves. They can offer cures for America's financial and export woes but can not offer cures for farm woes. They are overworked and can not make wise decisions.

B. ① Congress must impose production controls on ALL farmers of every size all across the Continent.

② Make it illegal for Corporations to engage in agricultural production. Allow only man/wife corporate farms with sons and daughters (Prudential Life Insurance Company should be divested from its 20000 acre farm operation in Indiana and serve its clients better.)

③ Allow a man/wife only 300 acres of crop land — based on what he can do properly at reasonable work hours with a dairy of 30 cows per man.

— establish 5-farm cells. Four farms with cattle and crops and No machinery for cropping ..... except what is necessary for light duty; Have the fifth farmer own ALL machinery for cropping it on other 4 farms .... all this machinery is to be government owned.

④ There is NO arithmetic to show that (in 1985) farming is economically self-sufficient. An outside income is required to put food on the farmers table.

An illustration of sheer stupidity & vulgarity .... an area farmer has 298 head of Holstein Dairy cattle all ages. He is ALONE, except for an unreliable ① hired man. This is preposterous "business" and cruel to animals. 298 head of dairy cattle and all the cropping —! Ridiculous. Horrendous! The farmer is a prisoner of his farm operation.

MAY 16

Page 2

C Correct structure of income tax laws to disallow tax write offs of farm losses ---- so Prudential Life Insurance Company can not financially benefit by its farm losses. Or for any other Corporation for that matter.

① discontinue ALL tax credits of whatever nature straight across the board. Personal and Business tax credits are abused by nearly everyone ---- and evoke very needed business-decisions.

D Restrict marketing of milk to region of production, FIRST. N.Y. State farm economy is in serious jeopardy — Brought on by a few farmers themselves ----- who have sold their farms in New York State (where they milked 300 to 800 cows) and have gone to Colorado and put on 1000 to 1700 milk cows --- and now ship it back into New York City and where ever. Again a case of market-disruption by farmers themselves.

Keep Colorado milk in Colorado. Keep N.Y. milk in N.Y. Keep California milk in California UNTIL the milk market administrator determines local farmers can not meet the demand locally.

E So many dairies are going out of business — there is NO place to sell our hay and our grains produced here. And farmers themselves are, by reason of their GREED and foolish belief they must work around-the-clock and must set up huge estates in ruining farming for everyone including the U.S.D.A.

F I have read (Secretary of Agriculture) John Block's comments on economic problems of U.S. farmers. His comments are valid. But the concepts are NOT applicable to the local farm level. The family farmer can not submit to such high level thinking. Leave these concerns to the marketing agency ---- The grain Coops, the Dairy Coops. Individual farmers are ill-trained in foreign export policies & local marketing. Yes — Congress has to make serious & positive moves NOW to preserve farming for a man & wife team.

Please enter this letter into your records on these hearings

Very Sincerely — Harold Haslett

Other observations on NorthEast Agriculture

- The bigger the farm the BIGGER the BLUNDER
- A group of investors from New York City has purchased Delaware County farm land recently — they have some 7500 dairy cows milking — They can not pay their bills on time — they rely on tax write offs created by the farms that are financed by Venezuelan Oil monies
- Keep Sears & Roebuck, Montgomery Ward, and other Corporate schemers out of the production of any farm products as they use merchandizing tactics that serve only their pocketbooks and notion they can become millionaires. Schemers — "think Bigger" groups face the same LABOR and financial woes of the family man .... their notions victimize even themselves. The LABOR load is abominable.
- Price support programs have aided farmers for centuries in the entire World. This public must face up to this — and provide price supports under (or with) limited sized operations
- Certain new technologies in management is a tactic to IMPRISON animals for life by using solitary confinement. THIS IS ABSOLUTE physical & MENTAL CRUELTY to animals ---- just so that farmer can watch T.V. & go on vacation or into town more often for coffee. The NEW concepts are unspeakably cruel.

Sincerely,

Harold Haslett

TESTIMONY
BY
DOROTHY KELLEY, PRESIDENT
NATIONAL COALITION FOR FAIR TRADE
SYRACUSE, NEW YORK
May 17, 1985

Representative de la Garza, chairman House Agriculture Committee, my name is Dorothy Kelley. I am President of the newly formed National Coalition For Fair Trade. I also serve as the Executive Vice President of the Maine Potato Council.

Nearly one hundred producers attended a meeting of the National Coalition For Fair Trade in Albany, New York on May 7, 1985. Many various perishable and horticultural commodities were represented with producers complaining about imports of onions, carrots, celery, potatoes, lumber from Canada. Tomatoes and lettuce from Mexico, cut flowers from Holland, sheep and wool from New Zealand, wine from Europe and Pistachios from Iran.

Congress is aware that U.S. farmers are suffering a financial crisis. The strong U.S dollar has caused much of this problem. The resultant high interest rates, the increase of imports and the decrease of agricultural exports are causing agricultural problems.

Maine has suffered for nearly ten years from the import of Canadian potatoes. From 1975 to 1980 potato imports from Canada increased 700 percent. Thus far this season, the potatoes coming through Maine border points are double the previous season and the difference in the exchange is 30 percent. Minister Wise stated "the Canadian government has no agricultural subsidies"; however, according to my records the producers enjoy many "assistance" programs.

Others speaking at the Albany meeting had similar problems with subsidies and increased imports.

The National Coalition is seeking "Fair" trade. We believe in "Free" trade, but to have free trade work all the players have to abide by the rules. If the rules are not the same then trading is not "Fair".

The Agricultural Adjustment Act of 1985, Title I Agricultural Trade and Export Expansion provides for negotiations with trading partners to remove U.S. restrictions on agricultural imports. The only restriction on imports is a small tariff or duty which is offset by the difference in the exchange.

When President Reagan was in Europe recently, the message from France should have related the trade problem. France wants to discuss the monetary problem in any GATT talk and they refused to reopen GATT talks unless farm products were exempt. The reason for the exemption is the fact that Europe is presently the major exporter of agricultural products.

Since other countries are happy with the present GATT agreements, the section of the Farm Bill regarding trade must contain some sections calling for appropriate import restrictions to protect and increase the market share for domestic producers.

Some ideas that would protect domestic production would be: (1) sur-tax on import commodities that impact produce prices: (2) labelling imported commodities to country-of-origin: (3) Export trade legislation addresses government support programs. Trade legislation should include perishable agricultural commodities and horticultural products: (4) Check imports for residue of chemicals as well as inspecting imported products to assure they meet U.S. standards: (5) require USTR or agricultural attaches' to report to the administration all subsidies or assistance programs within each trading partner's country: (6) require the administration to seek multilateral trade negotiations with knowledge of each countries assistance programs. If agreement is denied, then the administration should establish similar barriers against that country.

Until Congress and the administration adopt policies to address the budget deficit and strong dollar, the U.S. producers will have trade problems. As long as trade problems exist, the rules and regulations in the Farm Bill for 1985 will not save the farmers.

Thank you for allowing me to address this serious problem.

Dorothy P. Kelley, president
National Coalition for Fair Trade

May 17, 1985

To House Agriculture Committee Hearing
in Syracuse, New York, on May 17, 1985

Gentlemen:

My name is Walter C. Mehlenbacher. I am presently owner-operator of a farming operation engaged in the production and marketing of Seed Potatoes, Seed Oats, Seed Wheat, Birdsfoot Trefoil Seed, Crownvetch Seed, and Clover Seed with the principle crops being Seed Potatoes and Seed Grains.

I am carrying on a family tradition started by my father and mother in the early part of this century at Wayland, New York, and later joined by a family partnership including three sons and their wives. My two brothers' families have since moved and are farming in Washington State leaving me the sole Mehlenbacher family to be carrying on in the family seed business.

When I actively started farming, New York State ranked third in potato production in the United States with Maine second. Now Maine has slipped in potato acreage, and New York is now down to seventh or eighth place.

Some countries tend to protect their industries to preserve them for a reliable source of supply and employment for its people. I have found, however, that our government is becoming one of our worst enemies of our industries.

U.S. agriculture is constantly being tied down with tighter and tighter restrictions at a time when the flood gates of foreign competition encouraged by our own government are opening up wide against us.

I see numerous farmers - neighbors, former customers being forced out of business for lack of concern and protective action from our government. Thousands of migrant workers, seasonal workers, as well as full-time workers constantly are being forced out of work.

My greatest concern is that Congress wake up soon enough to what is going on and take action to prevent further erosion of our businesses in this country.

My suggestions are as follows:

1. Balance the Federal Budget so that our interest rates go down, and the value of the dollar drops in relation to foreign currency especially Canadian.

2. Make sure that Free Trade is really "Free Trade", so that we can ship into the Canadian Market an equal value of goods and sevices. The imbalance of payments should tell you something is wrong.

I personally have been unable to establish a continuing trade relationship with Canadian trading partners because of their government's control of imports. Free Trade with them is a one way street. We are eliminating all trade barriers on agricultural goods coming this way and allowing the financial destruction of our family farms that have taken years to develop to their present state.

Both the Canadian Provincial and Federal Governments are providing monetary inducements to get more agricultural development in Canada to specifically ship into our markets. It is hard for us to compete with these subsidies.

The Canadians regulate imports from us by regulating their people. They require that their citizens have the government's permission to import. This is accomplished by an import permit requirement.

Upon several occasions, I have sold seed into Canada that the customers sorely wanted. When it came time to ship, the Canadian citizen was denied an import permit.

It would appear that their chief concern is that if there is enough of that or a similar product produced in Canada, they won't issue an import permit even though the Canadian Trading Partner known that you have and they want a superior variety or product to that obtainable in Canada.

3. Our Trade Negotiators must be compelled by Congress to be astute and just as prone to protect the American farmer as Canada is hers.

The Canadian government also has used a surtax on American agricultural commodities to make sure the price as sold in Canada would be equal to or greater than the Canadian price, so as not to cause depression of the market price to the Canadian farmer.

Vegetable and potato growers of the northeast U.S. have worked hard to convince Congress that such a reciprocal tool should be made available in the U.S. to protect the American farmer against Canadian dumping, but Congress has failed to act. In the mean time hundreds of American farmers have gone into bankruptcy or were sold out because of financial insolvency.

4. If Congress is genuinely concerned, then they should give top priority to enactment of legislation that allows for immediate use of a surtax where a price depressing situation exists through the shipment of Canadian produce or agricultural products into the U.S. markets.

Present legistlation to protect agriculture exists in theory only, and practical relief for a particular segment of agriculture is nearly impossible to achieve before the industry concerned is in dire financial straights or driven out of business.

5. Congress must make an immediate thorough study of this whole agricultural trade issue with Canada and come up with some immediate solutions before we have lost any more of our agriculture. Canada has been a friendly nation to us, but do we want to become dependent upon her for a large part of our food supply? Is this in the best national interest?

What happened to our government's official's patriotism and national concern? Isn't Congress concerned about where our future food supply is coming from? What could be a more vulnerable spot in our national defense than to be dependent upon foreign countries for our food?

It takes years of training, education, development, financial resource management to put together a modern farm operation. It takes only one financial disaster year ~~year~~ to destroy it.

Governments were instituted among men to do for them what the citizens cannot do for themselves alone.

Isn't it high time Congress recognized this and afforded farmers the protection that will provide equal leverage and trading status with our Canadian counterparts?

I challenge Congress to act immediately on this critical matter.

Sincerely,

Walter C. Mehlenbacher

Walter C. Mehlenbacher

PAUL SCHNEIDER, R.D.#2, Groton, New York, 13073 18 June,1984

MR. SECRETARY AND FELLOW MEMBERS OF THE AGRICULTURAL COMMUNITY, THANK YOU FOR GIVING ME THIS OPPORTUNITY TO SPEAK:

I AM HERE ON BEHALF OF THE SMALL FARMER. SOME OF THE FARMERS OF THIS COUNTRY DO NOT BELIEVE THAT "BIGGER IS BETTER". THERE ARE SMALL FARMERS IN SMALL COMMUNITIES ALL ACROSS THIS NATION.

I AM PROPOSING THAT THE U.S.D.A. USE ITS RESOURCES TO PROMOTE MORE EDUCATION ON HOW TO FARM WITH LESS COST. I SAY IT IS TIME FOR THE U.S.D.A. TO GET BACK TO BASICS:

1: WE NEED MORE PROGRAMS THAT WILL DEVELOP GENETICALLY SUPERIOR PLANTS AND ANIMALS.

2: ENERGY RESEARCH TO LOWER THE COSTS OF A SMALL OPERATION.

3: EDUCATE THE U.S.D.A. PERSONNEL SO THEY CAN USE NEW AND DIFFERENT IDEAS IN THEIR WORK.

4: MAKE IT EASIER FOR AN INDIVIDUAL TO ADDRESS A COMPLAINT ABOUT A U.S.D.A. OFFICIAL AND KNOW WE ARE GOING TO GET

RESULTS. THERE ARE SOME IN THE SYSTEM THAT ABUSE THEIR POSITIONS FOR PERSONAL GAIN.

5: MILK PROMOTION: I WOULD LIKE TO SEE THIS MONEY SPENT ON ADVERTISING NATIONWIDE BY PROFESSIONAL PEOPLE.

6/ STOP THE UNDERWRITING OF LARGE LOANS TO BIG FARMERS. I FEEL THAT THIS COUNTRY SHOULD EXPORT ITS TECHNOLOGY TO FEED THE WORLD. MASSIVE GRAIN SALES ONLY BENEFIT THE RICH. WE SHOULD GIVE THE POOR OF THIS WORLD ANSWERS TO THEIR DILEMMAS : NOT JUST FOOD FOR TODAY.

MR. SECRETARY, THE FAMILY FARMERS AND THE SMALL COMMUNITIES OF THIS NATION WOULD ENJOY BEING SERVED BY THE U.S.D.A. AS WE ARE AN INTEGRAL PART OF THE PRODUCTION OF FOOD FOR THIS COUNTRY. TEACH THE REST OF THE WORLD TO FEED ITSELF.

THE ASSEMBLY
STATE OF NEW YORK
ALBANY

PAUL D. TONKO
ASSEMBLYMAN 105TH DISTRICT

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COMMITTEES
AGRICULTURE
ENERGY
ENVIRONMENTAL CONSERVATION
TOURISM

SUB COMMITTEE
SPECIAL PROBLEMS OF THE
AGING

May 23, 1985

Dear Mr. Duval:

Thank you for allowing me this opportunity to submit testimony before the House Committee on Agriculture.

As a member of the New York State Assembly and one who represents several rural communities I am very concerned about the 1985 Federal Farm bill and the effect this legislation might have on rural communities in New York State and throughout our nation.

Again, I would like to thank the House Committee on Agriculture for the consideration they may give the following remarks.

Sincerely,

Paul D. Tonko

Paul D. Tonko
Member of the Assembly

THANK YOU FOR ALLOWING ME TO ADDRESS THIS COMMITTEE. I AM ASSEMBLYMAN PAUL TONKO AND I REPRESENT THE 105TH ASSEMBLY DISTRICT IN THE NEW YORK STATE LEGISLATURE. THE 105TH DISTRICT IS COMPRISED OF A FOUR COUNTY AREA IN UPSTATE NEW YORK WHICH INCLUDES SCHOHARIE COUNTY AND PORTIONS OF FULTON, MONTGOMERY AND SCHENECTADY COUNTIES.

WHEN PEOPLE WHO LIVE IN OTHER PARTS OF OUR NATION THINK ABOUT NEW YORK STATE THE THINGS THAT COME TO MIND MOST OFTEN ARE SKYSCAPERS, BROADWAY AND THE STATUE OF LIBERTY - BUT THEY'RE THINKING ABOUT ONLY A SMALL PORTION OF THE GREAT EMPIRE STATE. THE VAST PORTION OF NEW YORK STATE HAS NO SKYSCRAPERS, NO BROADWAY AND NO MISS LIBERTY. SILO'S ARE OUR ONLY SKYSCRAPERS, BRIGHT LIGHTS CAN MOST OFTEN BE SEEN COMING FORM A FARMER'S BARN AT 5 A.M. WHICH IS MILKING TIME AND LIBERTY IS OURS WHEN WE KNOW THAT THROUGH HARD WORK WE CAN EARN A LIVING AND RAISE OUR FAMILIES ON OUR LAND.

THE IMPACT OF THE FEDERAL FARM BILL WILL BE FELT DRAMATICALLY IN MY LEGISLATIVE DISTRICT AND THROUGHOUT OUR STATE. AGRICULTURE IS NEW YORK'S LARGEST INDUSTRY WITH NEARLY $10 BILLION IN ANNUAL FARM RECEIPTS. NEW YORK HAS MORE THAN 48,000 FARMERS WHO FARM MORE THAN 9 MILLION ACRES OF LAND AND WHO PRODUCE AN IMPRESSIVE VARIETY OF PRODUCTS.

NINETY NINE PERCENT OF NEW YORKS FARMS ARE FAMILY OWNED AND OPERATED AND ABOUT 100,000 PEOPLE EARN A LIVING FARMING. THE AGRICULTURE AND FOOD INDUSTRIES COMBINED ARE A $10 BILLION INDUSTRY, EMPLOYING 500,000 PEOPLE. THERE IS NO COMMUNITY IN THE STATE OF NEW YORK WHICH IS UNTOUCHED BY FARMING AND THE FOOD INDUSTRY. IN FACT THERE IS NO COMMUNITY, NO HOUSEHOLD, NO INDIVIDUAL IN THE UNITED STATES THAT IS UNTOUCHED BY THE ECONOMICS OF FARMING AND FOOD PRODUCTION AND THERE IS NO COMMUNITY IN THE WORLD THAT IS NOT TOUCHED BY AMERICAN AGRICULTURE POLICY.

ALTHOUGH ALL COMMUNITIES WOULD BE AFFECTED BY FEDERAL FARMING LEGISLATION, THE IMPACT SUCH LEGISLATION WOULD HAVE ON OUR COMMUNITIES VARIES FROM SIGNIFICANT TO DEVASTATING. THE NEW YORK STATE DEPARTMENT OF AGRICULTURE AND MARKETS RECENTLY CONDUCTED A STUDY IN ONE OF OUR STATE'S RURAL COUNTIES THAT SHOWED HOW IMPORTANT OUR AGRICULTURE ECONOMY IS TO OUR STATE'S ECONOMY ON THE WHOLE. ROUGHLY ONE FIFTH OF THE FARMS IN THE COUNTY WERE FOOD AND AGRICULTURAL BUSINESSES, PROVIDING APPROXIMATELY 20% OF THE JOBS AND WAGES FOR COUNTY RESIDENTS - AND THIS FIGURE DOES NOT INCLUDE THE FARMS THEMSELVES OR THE IMPACT OF FARM BUSINESS ON THE INSURANCE INDUSTRY.

THE DIVERSITY OF NEW YORK'S AGRICULTURE IS ANOTHER FACTOR THE COMMITTEE SHOULD RECOGNIZE WHEN CONTEMPLATING THE POSSIBLE EFFECTS OF THE FEDERAL FARM BILL IN NEW YORK STATE. IN 1983, NEW YORK'S DAIRY FARMERS PRODUCED JUST UNDER 10 PER CENT OF THE NATION'S MILK AND CONTINUES TO BE THE LEADING DAIRY STATE IN THE NORTHEAST PRODUCING 44 PERCENT OF THE REGION'S MILK.

NEW YORK IS RANKED SECOND NATIONALLY IN APPLE PRODUCTION, THIRD IN VEAL AND GRAPES AND FIFTH IN THE PRODUCTION OF FRESH VEGETABLES. OUR DIVERSITY IS IMPORTANT TO THE ECONOMIC STABILITY OF OUR AGRICULTURAL ECONOMY. BUT IT ALSO MEANS THAT FEDERAL FARM POLICY, AND THE WORK OF THIS COMMITTEE WILL NOT ONLY HAVE A MAJOR IMPACT ON MY NEIGHBORS - WHO ARE PREDOMINATELY DAIRY FARMERS - BUT ON THE ECONOMY OF ALL NEW YORKERS.

DAIRY FARMING IS NOT ONLY IMPORTANT TO THE PEOPLE OF THE 105TH ASSEMBLY DISTRICT BUT TO THE ENTIRE STATE AND THE TRENDS THAT CONTINUE TO DEVELOP ARE ODIOUS. IN 1960, THE EMPIRE STATE BOASTED ABOUT 42,000 DAIRY FARMS - TODAY 15,000 REMAIN.

THE FARM PRICE OF MILK IN NEW YORK HAS BEEN FLAT TO DECLINING SINCE 1981. THE FEDERAL ORDER 2 BLEND PRICE WAS $13.39 IN 1981, AND $13.03 IN 1984. THE ACTUAL PRICE TO FARMERS WAS LOWER, DUE TO THE FIFTY CENT AND ONE DOLLAR ASSESSMENTS OF 1983 AND 1984. THE ESTIMATE FOR 1985 IS AN EVEN LOWER $12.79.

AT THE TIME THAT MILK PRICES DECLINED THE INDEX OF PRICES PAID BY FARMERS INCREASED BY 12 PERCENT FROM JANUARY, 1981 TO DECEMBER 1984. THIS MEANS THAT A DAIRY FARMER AND HIS FAMILY TODAY EARNS ONLY HALF OF WHAT THEY EARNED IN 1981. TRY TO IMAGINE IF YOU CAN WHAT THIS WOULD MEAN TO YOUR FAMILY. MULTIPLY THAT AFFECT BY HUNDREDS OR THOUSANDS OF FAMILIES AND YOU CAN UNDERSTAND WHAT CONTINUING TRENDS OF THIS MAGNITUDE HAVE ON RURAL COMMUNITIES.

UNDER THE FEDERAL PROGRAM, PRICE SUPPORT WOULD BE CUT IN SEVERAL STEPS, POSSIBLY TO AS LOW AS $10.60 PER HUNDRED-WEIGHT. THE UNITED STATES DEPARTMENT OF AGRICULTURE ESTIMATES THAT TOTAL CASH EXPENSES AVERAGED ABOUT $10.73 PER HUNDRED-WEIGHT FOR 1984, THIS FIGURE IS ALREADY WELL ABOVE THE $10.48 TARGET PRICE FOR 1987. MOREOVER, A CASH EXPENSE OF $10.73 LEAVES NO MONEY FOR DAIRY FARMERS TO LIVE ON AS IT IS UNLIKELY THAT FARM EXPENSES WILL DECLINE. THE RESULT WILL SEE THOUSANDS OF DAIRY FARMERS GO BANKRUPT LONG BEFORE THE MARKET PRICE OF MILK DROPS TO $10.48 OR LOWER.

WHEN CONSIDERING THE PROVISIONS OF THE 1985 FARM BILL CONGRESS SHOULD CONSIDER THE AFFECTS THAT THESE PROVISIONS WILL HAVE ON THE FUTURE OF NEW YORK'S AGRICULTURAL INDUSTRY AND THE FAMILY FARM. THE FOLLOWING RECOMMENDATIONS WOULD PLAY A VITAL ROLE IN PRESERVING AND ENHANCING THE FUTURE OF FARMING IN MY STATE AND ACROSS OUR NATION.

- DAIRY FARM FAMILIES NEED TO BE ASSURED A STABLE PRICE FOR THE MILK THEY PRODUCE. THE 1985 FARM BILL SHOULD PROVIDE FOR A LONG-TERM DAIRY PRICE SUPPORT PROGRAM AND CCC PURCHASES SHOULD BE CONTINUED BUT IMPROVED SO THAT MILK SUPPORT PRICE ADJUSTMENTS CAN AVOID MAJOR CCC SURPLUS PURCHASES.
- WE NEED TO MAINTAIN DIARY IMPORT QUOTAS WHILE AT THE SAME TIME LIMITING THE AMOUNT OF CASEIN THAT IS IMPORTED.
- WE NEED TO REVISE THE FOOD AND DRUG ADMINISTRATION'S STANDARDS FOR IMITATION CHEESE PRODUCTS. THE PRESENT "NUTRITIONALLY EQUIVALENT" STANDARD CHEATS BOTH THE PRODUCERS OF NATURAL CHEESE AND THE CONSUMER.
- THE NATIONAL DAIRY PROMOTION PROGRAM IS AN EFFECTIVE ONE WHICH SHOULD BE CONTINUED WITH INCREASED EFFORTS IN THE AREAS OF MARKET DEVELOPMENT AND PRODUCT DEVELOPMENT FOR THE DAIRY INDUSTRY.
- AGRICULTURAL TRADE IS AN ESSENTIAL COMPONENT TO OUR NATURAL BALANCE OF TRADE. WE NEED TO ENSURE THAT OUR AGRICULTURAL TRADE POLICY TREATS ALL COMMODITIES FAIRLY.

- OUR FARMERS NEED BETTER MEANS OF ADDRESSING THE PROBLEMS OF SUBSIDIZED AGRICULTURAL IMPORTS. THE INCOMES OF OUR FARMERS HAS BEEN HURT BY IMPORTS OF VEGETABLES FROM CANADA. AN EXAMPLE OF THE INFLUX OF CANADIAN VEGETABLES IS APPARENT IN THE FACT THAT FROM 1977-1982 CARROT UNLOADS INTO NEW YORK'S MAJOR MARKETS INCREASED BY 235%.
- WE SHOULD SUPPORT LEGISLATION THAT PROVIDES FINANCIAL AND TECHNICAL ASSISTANCE TO FARMERS SEEKING REMEDIES FOR SUBSIDIZED AGRICULTURAL IMPORTS.
- THOSE OF US WHO CARE ABOUT THE FUTURE OF FARMS AND AGRI-BUSINESSES NEED TO OPPOSE THE PROPOSAL OF PRESIDENT REAGAN'S ADMINISTRATION TO ELIMINATE STATE AND LOCAL TAXES FROM FEDERAL INCOME TAX. THE ELIMINATION OF THESE DEDUCTIONS WOULD MEAN FEWER DOLLARS IN NEW YORK AND MANY OTHER STATES FOR THE DEVELOPMENT AND MAINTENANCE OF FARMS AND AGRI-BUSINESSES TO COMPETE IN THE WORLD MARKET.
- THE TIME HAS COME TO END THE "PIECE MEAL PLAN FOR AGRICULTURE." LONG-TERM FARM POLICY NEEDS TO BE PUT IN PLACE SO THAT THE FUTURE OF OUR NATION'S AGRICULTURE INDUSTRY WILL BE BRIGHT.

WHAT DOES THE FUTURE HOLD FOR AMERICA'S FARMERS? A FUTURE THAT INCLUDES THE PROPOSED FEDERAL FARM BILL IS BLEAK. PRESIDENT REAGAN'S PROGRAM WILL LEAD TO A CYCLE OF LOW PRICES, DRIVING DAIRY FARMERS OUT OF BUSINESS, THEN TO LIGHTER MILK SUPPLIES AND RISING PRICES WHICH WOULD ENCOURAGE INCREASED PRODUCTION WHICH WOULD DRIVE PRICES DOWN AGAIN. THERE WOULD BE FEWER FARMERS, AND I HAVE TO TELL YOU SUBSTANTIALLY INCREASED HARDSHIP ON WHAT COMMUNITIES IN THE 105TH ASSEMBLY DISTRICT AND ACROSS OUR STATE AND NATION.

TODAY I HAVE PRIMARILY ADDRESSED THE PROBLEMS THAT THE PROPOSED FARM BILL WOULD CREATE FOR DAIRY FARMERS AND RURAL COMMUNITIES IN NEW YORK BECAUSE I'VE WITNESSED THE PLIGHT FIRST HAND. I'VE SEEN STRUGGLE AND DESPAIR, DETERMINATION AND FAILURE, HARD WORK AND HARD TIMES AND I FEEL CERTAIN THAT THE PRESIDENT'S PLAN WILL DEAL A DEADLY BLOW FROM WHICH FEW AMERICAN FARMERS COULD RECOVER.

THROUGHOUT OUR HISTORY THE AMERICAN AGRICULTURE INDUSTRY HAS ACTED AS AN ALARM CLOCK, WARNING US THAT THE ECONOMIC DIFFICULTIES THEY EXPERIENCE FIRST, WILL SOON BE REFLECTED IN THE ECONOMY OF THE NATION. WE HAVE TO WAKE UP AND TAKE POSITIVE (AND I STRESS THE WORD POSITIVE) STEPS TO ENSURE THE STABILITY OF OUR AGRICULTURAL COMMUNITY FOR AS A NATION WE CAN ILL AFFORD TO RETURN TO A PERIOD SUCH AS THE THIRTIES WHEN DOOM ENCOMPASSED THE FARMING COMMUNITY FIRST AND THEN PROCEEDED TO STRIKE OUR ENTIRE SOCIETY.

IT HAS BEEN SAID THAT THOSE WHO FORGET THE PAST ARE DESTINED TO REPEAT IT. THIS COMMITTEE AND THE AMERICAN PEOPLE MUST REALIZE WHAT AN INTRICATE ROLE AGRICULTURE PLAYS IN OUR LOCAL, STATE AND NATIONAL ECONOMIES AND WE MUST TAKE STEPS NOW TO ENSURE ITS STABILITY AND FUTURE.

GENERAL FARM BILL OF 1985

SATURDAY, MAY 18, 1985

House of Representatives,
Committee on Agriculture,
New York, NY.

The committee met, pursuant to call, at 9:30 a.m. at 1 Federal Plaza, New York, NY, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Also present: Representatives Solarz and Gilman.

Staff present: A. Mario Castillo, chief of staff, and Marshall Livingston.

OPENING STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The **Chairman.** Good morning. We are the Agriculture Committee meeting at the invitation of not only the Governor, your commissioner of agriculture, your assembly, but also the entire New York congressional delegation. It is our desire to hear from anyone interested in the whole spectrum of agriculture as we try to finalize the 1985 farm legislation. Yesterday we held hearings in Syracuse, where we heard from 48 witnesses during the course of the day. And from the list that has been given to me, I think we will have just about the same participation here. We welcome all of you and ask for your cooperation in one instance. If you have a prepared statement it will appear in the record as if read in its entirety, and you may summarize so that we might conclude the hearing at the appointed hour. For your information, we started the farm bill hearings last year and to date I think that we have been in approximately 48 of the 50 States. So, no one can say when the legislation is finalized, that we weren't in their area or that they did not have an opportunity to testify either in Washington or in their State. This is a commitment that I made early on when we began deliberations on the farm legislation, and fulfillment of that commitment is one of the reasons that we are here. We have with us this morning, two very distinguished Members of Congress from New York. And it is my privilege now to invite them to present their testimony—our good friends, Stephen Solarz and Benjamin Gilman. Mr. Solarz.

STATEMENT OF HON. STEPHEN J. SOLARZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Solarz. Thank you very much, Mr. Chairman. Let me first of all, welcome you to the Big Apple. I will submit my testimony for the record, and as you have requested, try to summarize my statement in the interest of making it possible for you to see the maximum amount of the cultural capital of the country as possible.

I want first of all, Mr. Chairman, to thank you very much for coming all the way here to New York to conduct these field hearings. You may ask what I, the Congressman from a totally urban district, has to offer with respect to enlightenment on the farm bill. And I can only tell you that my credentials to address these issues may be somewhat more weighty than what at first appears to be the case. I say that because the 1980 census revealed the fact that I have eight full-time farmers in my district. I haven't located them yet, and I suspect I know what their crop is although that wasn't listed in the census report. Nevertheless, I do have some farmers apparently in my district, so I join you as someone who represents the agricultural sector of the economy.

In all seriousness, Mr. Chairman, the main reason I am here is to address the problems that have been created for my constituency and for American consumers around the country by our Sugar Price Support Program. The most recent casualty of that program was a sugar refining company in my district, Revere Sugar, which was recently forced out of business, a result of which there were over 400 jobs lost in Brooklyn. I have another major sugar refiner in my district, the Amstar Corp., which has 600 employees with another 400 individuals who are engaged in work related occupations. And, frankly, I am fearful that without modifications in our Sugar Price Support Program, that they may be driven out of business as well, which would mean a total loss in Brooklyn alone of over 1,400 direct and indirect jobs—which would be lost as a result of the Sugar Price Support Program. And I think that this is an indication of the consequences of this program for the people of my district.

But it is not just those who are engaged in sugar refining in Brooklyn that have suffered as a result of the existing program. The truth is that sugar price supports have driven up the food bill for the American consumer. It is estimated, as you undoubtedly must know, Mr. Chairman, that every 1-cent increase in sugar price supports costs the American consumer about $300 million. And with a substantial differential between the world price of sugar, which I understand is now at around 3 cents, and the domestic price of sugar, which because of our Sugar Price Support Program is around 22 cents. This is costing the American consumer a very, very substantial amount of money. Furthermore, it also requires the treasury to borrow about $1 billion a year at a time when we are grappling in the Congress with the necessity of substantially reducing the Federal deficit.

Finally, Mr. Chairman, in addition to the consequences which our Sugar Price Support Program has for refiners who are being forced out of business, in addition to the consequences it has for American consumers who are paying hundreds of millions and probably billions of dollars more a year than they would otherwise be paying if we had a much lower Sugar Price Support Program, it also is having very adverse consequences for sugar exporting countries—particularly in Latin America—in which the United States has a very real interest in fostering economic development and the consolidation of democracy.

You will be interested to know, Mr. Chairman, that between 1981 and 1984, sugar sales to the United States from 19 Latin American countries dropped in half from dollar terms. From $1.4 billion to just under $700 million.

And, I think, there is a concensus in the Congress and around the country that at a time of growing political instability south of our border, that if we are going to stem the tide of communism in Central America and in Latin America, that we have a vital interest in fostering economic development in the hemisphere—that is why we adopted the Caribbean Basin Initiative—as a way of facilitating economic growth in that part of the world. It is why we substantially have increased the levels of our foreign aid to many of the Central American and Latin American countries. And yet, as a result of our Sugar Price Support Program and the sugar quotas which are imposed as a result of it, these countries are deprived of the opportunity to maximize their sugar exports to the United States.

In some instances, Mr. Chairman, the loss of income to countries in Central and Latin America as a result of our Sugar Price Support Program equals or exceeds the total amount of our foreign aid to these countries. In other words, what we are giving these nations with the right hand in order to foster economic development and political stability, we take away with the left hand by depriving them of the ability to maximize their comparitive advantage in sugar by exporting more to the United States. And I truly believe, Mr. Chairman, that that is counterproductive. So, for all of these reasons—the consequences for the refiners, the consequences for the consumers, the consequences for countries where we are attempting to facilitate economic growth and political stability, I urge you to very seriously consider when you mark up the farm bill a substantial reduction in sugar price supports.

I might tell you finally, Mr. Chairman, that I represent a district in which Winston Churchill was born many years ago—well, actually, not born, his mother lived in Brooklyn. And if she had stayed there he might one day have gone to Congress from my district and Brooklyn. And I suspect that if Winston Churchill were in the U.S. Congress today and he took a look at the sugar program and what it was costing the American consumer, he might be tempted to paraphrase the remarks he made after the Battle of Britain by saying, "Never before have so few extracted so much from so many."

I really think, Mr. Chairman, that the time has come to recognize that while there are 12,000 sugar producers and we don't want to unduly do damage to them, there are also 240 million consumers. There are hundreds of millions of people south of our border whose economic well-being depends on their ability to export sugar. And we are hurting them badly by this program, as we are the American consumers.

And I just hope, Mr. Chairman, that you who knows so much about these issues, who has such a great commitment to the national interest, will carefully consider what I said and what others have said about deleterious consequences of this program, and seek to amend and adjust the program in a way that is compatible with the welfare of our farmers but also with the welfare of our consumers in friendly countries south of our border.

[The prepared statement of Mr. Solarz appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. I am not going to rebut or challenge your facts or figures, but I would mention that everyone in your congressional district is involved in agriculture. If you eat, you are involved in agriculture. And, everyone in your congressional district has the great blessing that in this country we spend the lowest amount of disposable income per family for food. Americans spend about 13 percent of disposable income for food—including supported commodities such as sugar and nonsupported like the fruits and vegetables.

So, the billions and millions that you say that the consumer is suffering because of one program, is in fact a blessing that extends to all. Americans are the best fed people for the lowest amount of disposable income in the world. Certainly there are areas of concern which I assure you we will address as faithfully and equitably as we can, but our people are still the best fed people in the world.

Mr. SOLARZ. Mr. Chairman, if I can just make one observation here, I want you to know that as an urban member from New York, I think I have fairly consistently supported the agricultural legislation. Precisely for the reasons which you mentioned, and I realize this is a year in which farmers are having some great difficulties. And just as people from the farm areas responded to New York when we were facing some very difficult times a decade ago, I think you will find great sympathy and responsiveness on the part of the urban members now that people from the agricultural areas of the country are suffering.

My only point is that in the framework of our overall agricultural programs, it seems to me some are more justified than others and my sense is that if there ever was an example of a program which cries out for modification, it is the Sugar Price Support Program.

Given the range of what I believe to be deleterious consequences which it has. But that in no way diminishes my support in principle for the effort that sustains the economic health of the agricultural sector of our economy.

The CHAIRMAN. We look forward to working with you, and we understand that you have an important family commitment.

We invite you to stay the rest of the day, but we understand your problem.

Mr. SOLARZ. Thank you very much, Mr. Chairman.

The CHAIRMAN. Our distinguished colleague, Benjamin Gilman, we will be very happy to hear from you.

STATEMENT OF HON. BENJAMIN A. GILMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. GILMAN. Thank you, Mr. Chairman, and, Mr. Chairman, I would like to join my colleague in welcoming you to the State of New York. And thank you for making this the wind up part of your hearings. You saved the best for last, of course, and we certainly happy you are doing it, and particularly on a Saturday. And

I hope I have the opportunity of reminding the folks down near Brownsville of how our hard-working agricultural chairman came on a Saturday to New York City to hear our tale of woe.

Mine is not so sweet as my distinguished colleague. I have a bitter tale, and as you know you were kind enough to meet with several of our vegetable growers not too long ago and to discuss the problems that they were confronted with regard to some of the imports from our neighbors to the north in Canada.

And I am pleased that I am being joined at the table with our good New York State Commissioner of Agriculture, Joe Gerace, who has also taken the time to come down into our region and examine the impact that Canadian imports are having on our local economy.

I understand that yesterday your committee was in Syracuse, and that today's hearing here in New York City hopefully will provide additional valuable information in formulating a comprehensive farm bill that will address all the needs of our Nation's farmers, and we certainly welcome this broad nationwide prospective that your committee is taking on. The problems are serious. You recognize it, and you recognize a great deal of attention is needed.

It's important that the Northeastern sector of our Nation have the opportunity to provide proper input into this process. And it is especially gratifying in light of the absence of a member from our region sitting on the committee with the exception of Jim Jeffords, and I just wish we had a few more from our region who were willing to take part in your work. Mr. Chairman, the Empire State is extremely proud of its diversity and versatility, and I know our good State commissioner will touch on that as well.

New Yorkers pride themselves in being pioneers among the States in health care, education, social services, and technology. What many New Yorkers would also be proud of, if they were truly aware of it, is our State's ranking in agricultural productivity despite the great odds that have exacerbated over the years.

I am privileged, Mr. Chairman, to represent a district where diversity is legend in New York; at the edge of New York City where my congressional district begins, our 22d district, just north of us in Westchester County is a beautiful suburb that leads us across the Hudson River and into Rockland County. That area is noted for its beauty as well, and these two counties comprise a great percentage of individuals who commute into New York City.

But further north of that are our agricultural regions in Orange and Sullivan Counties. Both rural and vital in their own way to the health of New York State's economy. Sullivan County is noted not only for its famous mountain resorts, but also is New York's egg basket and important dairy land. While Orange County's rich muckland is excellent for growing onions and lettuce and other vegetables and is known as one of the better onion producing areas in the entire Nation.

Agriculture is, as you know Mr. Chairman, New York's biggest industry though our farmers comprise only 2 percent of the State's population; 99 percent of these farmers manage their own family farms, and recent statistics cite over $3 billion in annual farm receipts.

That figure could be misleading unless one takes into account that New York net farm income is half what it was back in 1981. In spite of this, New York State continues to rank fifth nationwide in the value of vegetables sold between 1978 and 1982. And in that category, one of my counties, Orange County, is New York's leading county. Nevertheless, its ranking has dropped from 28th during this period to 32d. In lettuce and romaine harvested for sale, New York State ranks sixth; again, Orange County is New York's leading county in that commodity. And once again, its ranking has dropped. An attempt is made to perserve—in vegetables harvested for sale, New York ranks seventh. Orange County is New York's sixth ranking county in this category, and its acreage in this area has risen from some 11,188 acres in 1978 to 11,373 acres in 1982. Orange County rose from 61st place to 55th nationwide.

Nationally, New York State ranks third in fresh cabbage and cauliflower, fourth in onions and celery, fifth in total fresh vegetables, sixth in lettuce and total processed vegetables, ninth in carrots, and tenth in potatoes. Yes, we are truly an agricultural State, and it is time that more of our governmental agencies acknowledge this and gave a greater concern to our needs here in this region. And we welcome your particular attention today.

The above-mentioned crops are vitally important to New York's economy. Potatoes were a $72 million crop in New York State in 1983; onions a $39 million crop; lettuce a $12 million crop; cauliflower $11 million crop. While celery and carrots followed with $4 million and $3.7 million respectively.

Yet all these important statistics must be considered in context. Over the years several problems have surfaced that have begun to take their toll on the northern tier States in particular. These problems need to be addressed by your committee, Mr. Chairman, permit me, therefore, to take just a few moments to outline them. In a yearlong effort to review the policy issues affecting New York's agricultural status, a comprehensive report entitled, "New York Agriculture 2000"—and I hope to make a copy of this available if the committee doesn't have it to date—that was produced by our State commissioner of agriculture. In it some valuable information has come to light, which I believe identifies some of the problems facing my own region in particular. About half the onions grown in New York State are grown in Orange County, in muck soil, which has been identified as the second largest continuous deposit of muckland soil in the entire Nation. Muck soil is, as you well know, subject to wind erosion, subsistence, and flooding. Onions in particular attract insects and disease and have to be appropriately treated. Onion growing is a very risky and competitive business, with the cost to grow, harvest and pack a 50-pound bag of onions generally exceeding $3,500 an acre. These costs are fixed costs, Mr. Chairman. The only way to lessen those costs per bag is with higher yields.

New York onion production and prices often fluctuate widely, and in 1983, New York onions constituted only about a third of the onion arrivals in New York City and Boston markets. These are the major markets for our onions, however, major sources of competition come from our neighbors to the north across our national boundary and from the south across our national boundary.

Foreign imports have devasted markets of fresh produce in recent years. Canadian competition is especially severe for our onion crop, our carrots, cabbage, and lettuce. Tariff barriers in real terms, favorable exchange rates, and provincial government assistance to producers all encourage exports from countries such as Canada and Mexico. Canadian exports into the United States from 1978 to 1983 increased 86 percent for onions, an increase of 88 percent for carrots, 309 percent for potatoes, and some 644 percent for cabbage. From 1980 to 1981 alone, Canadian onion imports skyrocketed 3,356 percent.

The underlying reason for this increased pressure in panoply of programmatic and technical support offered by the Canadian Government to their domestic producers. Their Government support includes, but is not limited to, transportation assistance, price supports, deficiency payments, storage aid, and cost-sharing loans and grants. The Northeastern region has been targeted by the Canadian Government as having the most potential for their products. And they are following their course with vengeance. American producers can only ship agricultural commodities into Canada when they have a contract specifying the price and the buyer. On the other hand, the United States allows Canadian producers to bring their product in on consignment only. Furthermore, Canadian provincial governments have on hand a fast track surtax system which they can activate on a day's notice in order to counteract the incoming product. If they choose to, they can even turn back an American shipment at the border, which was the case several years ago with one of my constituents. Mr. Chairman, let me cite an example. Two truckloads were contracted to be brought into Canada, and they were several hours apart. The first truckload was allowed to cross the border. Then Canadian officials declared their own growing season officially opened for onions, and the second truckload contracted for shipment, which arrived at the border only a few hours later, was denied entry despite having had a specific buyer. In this way the Canadians force their people to consume their domestic product and the Canadian farmer is protected.

Mr. Chairman, the vegetable farmers of New York State in the northern tier region are in a precarious position indeed. Vegetable farmers as a group receive no Federal assistance and are an exceedingly independent group of people as you know. They have no major voice representing their interests in Washington, and as a result have turned to their individual Members of Congress for redress. You are well aware of how acutely unrepresented the Northeast is in agricultural interests. As heavily agricultural as we are, New York doesn't have any major voice in agricultural committee assignments.

With the assistance of farmers from our region I developed legislation paralleling the Canadian system of surtax, which I mentioned earlier. A temporary, floating, fast track surtax system on certain agricultural commodities would be imposed by this legislation on imports that enter this country in large volume and at artificially low prices. That measure, H.R. 110 in this Congress, and H.R. 3193 in the former Congress, would only go into effect when specific conditions were met. It does not at all prevent imports from entering the country. What it does do is put imported and domestic commodities on a somewhat more even footing. As you know, my bill is still pending in the Ways and Means Committee.

It is only a slight protection measure, but I felt that some protection, some fair trade, is certainly in order. It was felt that this legislation was necessary because the Department of Agriculture has not been very helpful in even seeking ways of alleviating the plight of our vegetable growers. New York growers were further discouraged when the International Trade Commission found against the Maine potato growers at the very last minute. Our farmers ask, and rightly so, why they should take advantage of a process that will no doubt go against them too and cost them excessive legal fees.

We are appealing to you, Mr. Chairman, for assistance with this serious and ongoing problem. Northern tier farmers have formed a coalition now and are determined to have their grievances addressed.

In addition to the legislation that I have introduced, I have joined with Congressman McKernan in cosponsoring a measure that he has introduced, a concurrent resolution which calls for immediate and direct negotiations with the Canadian Government on a number of different commodities. However, that bill is also pending before the Ways and Means Committee. We need your expertise, Mr. Chairman, if we are to conclusively address the problem of ever-growing subsidized agricultural imports.

Just a few days ago I had the opportunity to meet with Secretary Block and Canadian Minister of Agriculture John Wise. Other Members of Congress attended as well, including Congressman Smith of Nebraska and Senator Cohen of Maine. And we were stunned to hear the Canadians say that they do not subsidize their farmers either directly or indirectly. Unfortunately, this is contrary to what we know to be the facts and only underscores the need for legislative action. Although I realize that there is no trade title per se in the 1981 farm bill, I believe that 1985 will be a good year for such a measure.

I have also requested that a task force on vegetable commodities be created to parallel the work being done by the newly formed task force on potatoes. However, I stress that any agenda outlined by any task force should include direct discussions with the Canadian Government.

Mr. Chairman, I would also like to make available to you some statistical data that I am submitting to the Chair compiled for the Census Bureau. That information highlights the dramatic increase in Canadian imports in 1978 to last year, 1984. In these tables are detailed both the dollar value and the amount of product involved which includes potatoes, onions, lettuce, celery, carrots, cabbage, and radishes entering each American market from Canada. I urge you to review this material, and in conjunction with the testimony delivered yesterday and today, to respond to our pleas on behalf of our farmers. We must create a climate in which they can compete freely and fairly. And as one of my farmers so succinctly put it, "I can compete against another farmer, but I can't compete against a foreign government."

You know that I will continue to do everything that I can to help and to try and provide equity and justice, and to provide any assistance to your committee wherever possible. Please know, however, that your presence in our State today is a gratifying act of recognition which we will not soon forget. And I thank you, Mr. Chairman, for allowing me to testify here today.

[The prepared statement of Mr. Gilman appears at the conclusion of the hearing.]

The **CHAIRMAN**. Thank you very much, Mr. Gilman, and I assure you of our cooperation. We have been working with our distinguished colleague, Sam Gibbons, chairman of the Trade Subcommittee of the Committee on Ways and Means, and we have a trade section in the farm bill this year. To the extent that we have jurisdiction, we will be happy to work with you and the other members of the Northeast interested in this matter. Thank you very much for being here, and we appreciate your testimony.

Mr. **GILMAN**. Thank you, Mr. Chairman.

The **CHAIRMAN**. I am very happy to welcome the commissioner of agriculture for the State of New York, the Honorable Joseph Gerace.

STATEMENT OF JOSEPH GERACE, COMMISSIONER OF AGRICULTURE, STATE OF NEW YORK

Mr. **GERACE**. Mr. Chairman, if I had it in my power to do, I would certainly want to officially designate you as honorary member of the congressional delegation of New York because your record has supported agriculture in New York, and having met you before, I know that you have as much knowledge about New York agriculture as anyone in Congress has.

And I am really delighted to have you here. On behalf of the Governor, I would like to welcome you here. He has written you a personal letter, which I will merely summarize, but which I would like to leave with you. He welcomes you too, and appreciates the fact that you are here in that recognizes that New York agriculture is important to you and to the committee and to Congress.

In his letter, he does point out that we have developed a plan—a policy if you will—called "New York Agriculture 2000," to which Congressman Gilman referred. He suggests very strongly that it is time that the Federal Government develop a long-term farm program, and editorially, I would like to say that I would certainly urge a long-term food and farm program. Because despite the fact that food costs less in America per capita then it does elsewhere, or to word it the way you have, there is less percentage of disposable income by each of the families in the United States than in other countries.

In this city in which you sit right now, 25 percent of the New York City population is below the poverty line, and that emergency food producers are spending $24 million a year on the poor. And it just seems that it is time for us to put together food and farm policy because everyone across the country, farmers that I have met, tell me that they find it inconsistent that we talk about excess and surplus at a time when there are so many people in this wonderful country of ours who are below the poverty line and not getting enough good food. And so, we would urge a long-term policy that takes all of those factors into consideration.

The Governor also talks about one of the most basic approaches to solve the agricultural problems is to attack the Federal deficit. The Governor is on the National Governors Agricultural Committee, and they have stated that reduction of the Federal budget deficit will be the most important farm program Congress could adopt.

He does refer to and urge that you consider the fact that Federal tax policy changes could hurt farm incomes and retard the development of our agriculture and food industries. That is the administration proposal to eliminate the deductibility of State and local taxes could devastate New York, and I will leave that letter with you.

I testified yesterday, so I will not repeat that. I just wanted to comment on some things that we would ask you to consider. I know the Federal budget intends to eliminate the terminal market planning service. And I believe that planning service assisted the food distribution centers and terminal markets in Texas, so you are well aware of what they can do. They have done a great job in other States.

We are having them work with us on Hunts Point, and on the Buffalo terminal markets, as well as Syracuse. Anyway we ask you to consider maintaining that service because, as you know, food distribution changes and we need people at the Federal level who are on top of appropriate planning so that we can always continue to serve our people the food at reasonable prices.

We also—I guess we don't really need to remind you of this—the importance of having a farm policy that will preserve our farmers that are close to the cities so they can continue to provide fresh food, nutritious food, to the populations that are here. And so we'd ask that any policy you adopt would encourage the maintenance of farms in New York that are close to the metropolitan areas.

I will just close now by thanking you for having an interest in New York agriculture. We will support you on it. We do not have any Congressmen on the House Agriculture Committee, so we look to you as we look to the whole delegation in New York, to represent the agricultural interests.

[The letter follows:]

STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

MARIO M. CUOMO
GOVERNOR

May 17, 1985

Dear Chairman de la Garza:

Your decision to conduct hearings on national farm policy in New York State is significant. While it may not be widely known, agriculture is a major part of the New York State economy. Our 48,000 farms covering 9.5 million acres of farmland generate $3 billion in gross income. Beyond the farm gate, our $7 billion food processing industry employs more than 400,000. Hundreds of communities throughout New York depend on our agriculture industry for their economic base.

In New York, we recently developed a long-term agricultural policy for New York titled New York Agriculture 2000. As the Agriculture Committee deliberates the 1985 Farm Bill, I urge you to develop a long-term farm program. It is impossible for farmers to make critical business decisions when federal farm policies are changed each year.

We need, for example, a dairy price support program flexible enough to provide stable, fair prices to farmers and consumers without contributing to an excessive surplus. The price support should adjust to changes in government purchases, market fluctuations and increased productivity.

Over the past year, I have served on the National Governor's Association Committee on Agriculture. Our agriculture policy states, "One of the major contributors to the problems facing agriculture is the growing federal deficit and the related high real interest rates. Agriculture, in fact, has borne the brunt of the national recovery through these high real interest rates and the declining net income and higher debt load. Reduction of the federal budget deficit will be the most important and effective farm program that the Congress will address in 1985."

I ask you to also consider the following issues during your hearings. The proposed federal tax policy changes will hurt farm incomes and retard the development of our agriculture and food industries. The Administration's proposal to eliminate the deductibility of state and local taxes would devastate New York.

Our U.S. farmers are the most efficient in the world yet, our share of the international markets has diminished. Imports have penetrated our domestic markets. We need a free trade policy, but it must be a fair trade policy.

I have every confidence that your Committee will construct a farm policy that will strengthen our nation's agricultural economy.

Sincerely,

Mario M. Cuomo

Honorable E. "Kika" de la Garza
Chairman, House Committee on
Agriculture
U.S. House of Representatives
1401 L.H.O.D.
Washington, D.C. 20515

The **Chairman**. Thank you very much, commissioner. You have my commitment and cooperation in every way possible. I would like to mention that the frustration people have at times on hearing about surpluses and the inability for those in poverty to get food has never been the fault of the farmer. Something else went wrong—such as unemployment, transportation, marketing, et cetera. We have seen frustration at the other end as well.

New York is a good market for south Texas' products, and we would rather you get them from us than from the north in order to complement your seasons better and not be in competition. I, personally, see some of my farmers plowing under cabbage, carrots, or onions at a time when one can't get them at the local Safeway, but something else went wrong—the marketing, the transportation, the brokerage system. Trading in fruits and vegetables can be difficult, so, we need to do a lot more study and have a lot more education in the marketing process.

And, I agree with you on your terminal markets, for they are important for those who ship in.

We have a lot of things that we can work together on, and you have my personal commitment and the assurance that all of the other members of the committee will work in any way that we can to enhance the quality of life for our citizens.

Even though we have the cheapest food in the world, there is no reason why we can't make it better. But, to do that, we have to have the farmers on the land. That is where we will look to you and our urban colleagues for assistance to work together to bring equity to both sides and ultimately to the consumer and those in between. But without the farmer, there won't be a ball game. That is where it all begins.

Mr. **Gerace**. That is true, and I need to stress that I would urge something along the lines of that NYA 2000 on a Federal basis, either the appointment of a special commission to develop a policy that involves food and agriculture, and all those problems that you talked about that interfere with spreading that good food to everyone. We would like to see that.

I mentioned this to some of your colleagues and to colleagues in the Senate, about why doesn't the Federal Government develop a long-term policy along the lines of what we've done. And they said it is just politically not expedient—that it is just not acceptable or there were political reasons why this couldn't be done.

You did that in the hot issue of Social Security, you've done that on other issues. And I really urge that it be done so that once and for all we could get closer a balance of feeding everybody in America.

The **Chairman**. I agree. Politics has to be put aside because as you know Congress is elected every 2 years, the Senate every 6, but in series of two's, and the President every 4 years. We can't let the ability to feed our people be a part of that system. We have to transcend partisan politics.

Mr. **Gerace**. Very good.

The **Chairman**. Thank you, sir.

Next we have the commissioner, office of business development, city of New York. We welcome you, Mr. Kieves.

STATEMENT OF LAWRENCE KIEVES, COMMISSIONER, OFFICE OF BUSINESS DEVELOPMENT, CITY OF NEW YORK

Mr. Kieves. Mr. Chairman, good morning. I am Lawrence Kieves, commissioner of New York City's Office of Business Development, and I would like to first welcome you to New York, and thank you for holding this hearing on the proposed 1985 farm bill in New York City.

The city of New York, the mayor, the controller, the council president, perhaps every elected official in the city of New York—and it is very rare that you see any form in unanimity like this—strongly oppose the continuation of high price supports of domestically produced sugar and import tariffs and quotas on cane sugar.

When the mayor asked me to serve as the commissioner of the office of business development some 2 years ago, I never dreamed that part of my responsibility would include appearing before a House Agriculture Committee on a rainy Saturday in May. Yet in my 2 years as commissioner no more serious an issue has come to my attention. Since it is my job to attempt to retain New York City's job base, and to try to bring it some new jobs where possible, and while frankly the economy of the city is doing quite well, and the city has improved, we unfortunately continue to see the erosion of blue-collar jobs.

And without any form of adjustment of the price supports on domestically produced sugar, and import tariffs and quotas on cane sugar, we are likely to continue to see the erosion of many thousands of blue-collar jobs in the boroughs outside of Manhattan, which is where employment is especially poor.

That is, frankly, why I am here today. It is a very serious issue for the city of New York. New York City is one of a number of port cities which has cane sugar refineries. Since the imposition of these unduly protectionist policies and the Sugar Price Support Program, which has benefited the Midwest corn sweetner producers at the expense of the Northeast and South sugar refineries. The importation of cane sugar to the U.S. ports, including Boston, Baltimore, and New York, has plummeted. The amount of these imports has dropped from 5 million tons in 1981 to under 2.7 million tons in 1984—in 3 short years it has been halved. Domestic refineries in New York City and elsewhere are unable to attain affordable cane sugar in sufficient quantities and have been left with no choice but to shut down or to severely curtail their operations.

Cane sugar refining is a high-volume, low-margin business. Unless sugar price supports are reduced, refiner volume will continue to decline. Obviously, if refiner volume continues to climb then those refiners who remain will be left to compete over an ever smaller volume.

Under these circumstances no refinery will survive.

The economic impact of sugar imports in this region is quite significant. In 1984 a Port Authority of New York and New Jersey study concluded that within the 17 county New York/New Jersey metropolitan region, the direct, indirect, and induced effects of sugar imports is estimated to generate nearly 2,000 jobs, $41 million in personal income, $127 million in sales, $23 million in business income, $4 million in regional tax, and $12 million in Federal tax collections.

Even more important, the study indicates that as of last summer there were over 1,500 people in this region directly employed in cane sugar processing in sugar refineries producing output valued at nearly $600 million. Those numbers are shrinking fast, and New York City has been hard hit.

I'd like to focus on three companies in Brooklyn, each of which has contacted my office for help. The first company is Revere Sugar, which Congressman Solarz talked about.

Last month after 90 years of continuous operation in the great borough of Brooklyn, in Congressman Solarz' district as he indicated, announced that they were forced to close down their Brooklyn plant due to cash flow problems.

These problems were caused in part by difficulty in obtaining the raw materials used in its operations. Until very recently, this Revere plant made possible of the employment of over 1,000 people. Many of whom were in low-skill jobs including plant workers, stevedores, and truckers. A significant number of these employees were minority workers.

At the time of its closure, 312 plant employees' jobs were terminated. 312 blue collar jobs in the borough of Brooklyn. Those employees will find it particularly hard to find replacement jobs, and might very well find themselves candidates for public assistance.

Last year, Revere closed two other plants in Chicago and Boston, and the trend continues. Revere asked me to contact their bank in which they had a long-standing credit relationship.

I contacted the bank and I said, please, this is an important company. We've worked on many deals before, you are a terrific New York City bank, can't you extend them a line of credit for just another 6 months, a couple or $4 million? The bank said, frankly, our prediction for this industry is not good as long as these import quotas remain. That is the problem I am facing.

The second Brooklyn company is Amstar Corp. Domino Sugar Refinery. On a clear day we could get on top of this building and look at their plant just across the East River in Brooklyn. The Domino plant employs over 600 people directly and 400 indirectly, many of whom are longshoremen. And in 1984, it generated an estimated $1.5 million in city tax revenues.

In 1982, Amstar closed its Philadelphia plant and it is now indicated to us that its Brooklyn plant also has been operating at far less than capacity. This plant too may be jeopardized if this policy is not reversed.

The third Brooklyn company is 4C Foods. 4C, a producer of sugar containing products such as ice tea mix, has been exposed to unfair competition from sugar-blended and sugar-mix products coming in from Canada that are prepared in Canada solely to circumvent the sugar quotas.

These problems caused 4C Foods to notify my office—me, personally—last November, that unless something is done they are seriously considering moving their operations and their jobs to Canada.

In addition to the problems that the import quotas and the tarrifs cause to the cities businesses, consumers also suffer. Consumers pay more money for sugar and to all foods to which it is added.

Over the 4-year span of the current program, it has been estimated that American consumers will pay more than $12 billion in increased expenditures for food products containing sugar.

Translated as part of the food budget for an average family of four, the subsidy exacts a total of about $60 per year per family. A significant burden, especially for lower-income families. Also, consumers have been negatively affected because due to the quotas many producers of popular sugar-contained products, notably Pepsi and Coke, have been forced to replace the sugar with the less tasty, cheaper, high fructose corn syrup.

In summary, New York City's businesses and its consumers have been seriously affected by sugar price supports and by cane sugar import quotas and tarrifs. It is a disaster in this region. On behalf of the mayor and the entire city of New York, I respectfully urge the commitee to abandon sugar price supports and cane sugar import quotas and tarrifs. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, and extend my personal and collective greetings to His Honor, the mayor. We've got to work together on this. Concerning the figures you gave me, we shut down the sugar mill in Santa Rosa, TX——

Mr. KIEVES. Santa Rosa, TX, and there have been closings in Louisiana.

The CHAIRMAN. And the beet refinery in Hereford, TX, and your workers and mine are out of business. What we have to achieve is to keep them both working.

Mr. KIEVES. I understand that.

The CHAIRMAN. You don't want to transfer the unemployment from one side to the other. When the hourly wage is raised at an automobile plant, it raises the price of a car, and prices my farmworker out of buying a car—used or new. When a mill is closed, a job is lost and when the refinery in Brooklyn is shut down that worker is also without a job. So, it is a very difficult dilemma that we have to solve with good faith, cooperation, and patience.

Mr. KIEVES. I understand that.

One further comment, if I may, it is my understanding that these restrictions were developed somewhere in 1980 or 1981. At that point the industry, if you will, in the New York area was not thriving, it was doing well. Sugar refineries were processing sugarcane. And then we placed quotas on this sugarcane importation, and you gave some supports for the sugar beet and the corn industries.

What we clearly did there, I believe, after many hundreds of years or 100 years of developing an equilibrium between the sugar cane importers, and the sugar beet farmers, and the sugar beet processors—by creating an equilibrium that was developed since we have been using sugar since the birth of our country, we took what was an equilibrium and we changed it.

Very clearly now, overall consumption has declined in the United States, but not as dramatically as the jobs are declining. What we did was we clearly transferred jobs from this region to other parts of the country. And I think that is unfair. That is my message.

I agree with you, Mr. Chairman, we have to work together to preserve jobs totally in this country.

The CHAIRMAN. They say the same thing at the other end, but we have to make it clear. The quota is part of the system. We have sugar producers, but we are deficient and produce only 50 percent of our needs from cane and beet now. It's growing because of the corn sweetener, but everybody has to make a living somehow. What we have to do is to see that we don't penalize one by keeping the other one in for we must arrive at some degree of equity.

So, we thank you very much.

Mr. KIEVES. Thank you, sir.

The CHAIRMAN. Thank you very much. Now we will invite George Gross and Robin Itzler to the witness table. If you summarize, we will put your prepared statement in the record.

STATEMENT OF ROBIN ITZLER, REPRESENTING THE COMPTROLLER OF THE CITY OF NEW YORK

Ms. ITZLER. I am Robin Itzler, I am going to be representing the comptroller of the city of New York.

The CHAIRMAN. OK, Robin Itzler, we're very happy to hear from you at this time.

Ms. ITZLER. It is a pleasure to testify this morning on behalf of food advocates, emergency food providers, and most importantly, the tens of thousands of hungry New Yorkers desperately needing more food.

The comptroller of the city of New York has long worked closely with locally based emergency food providers in a struggle to eliminate the scourge of hunger in New York City.

The extent of hunger in this city is tragic and shocking. Over the last few years in particular it has grown expotentially largely as a result of the 1981 budget cuts. Look at the numbers called to the Food and Hunger Hotline, the central emergency food referral agency in New York City shot up by 350 percent between 1980 and 1984. From 2,300 calls in 1981 up to 6,200 calls last year.

Even more alarming is the rise in food emergency calls to the East Harlem Interfair Committee, from only 90 emergency calls 5 years ago to 4,290 last year. A staggering 4,600-percent increase. The East Harlem Interfaith Welfare Committee defines a food emergency as any time the person has no food or money for food. Particularly distressing is the rising and disproportionately high infant mortality rate among blacks who are poor and suffer from inadequate nutrition. An infant mortality rate of 18 per 1,000 for blacks compared to 11 per 1,000 for whites in 1983.

The irony of this tragic situation is that many of the victims who comprise these statistics are receiving benefits from the Federal Government, but the benefits are grossly inadequate. All too often food stamps run out well before the end of any given month leaving recipients to turn to emergency centers for food, or worse, leaving them to wander aimlessly in the streets desperately scrounging and begging.

It is disgraceful that in this, the richest country in the world, so many among us suffer such an ordeal. As the hunger crisis has grown, private voluntary agencies in this city have made a heroic effort to fill the gap. Currently over 900 emergency food providers operate here.

In a survey the comptroller is now in the process of completing, he has found that half of the respondents just began operations within the last 3 years, and another 13 percent are planning to open new programs now.

The comptroller believes that this crisis situation has been created by the callous Federal budget cuts. Cuts in the Food Stamp Program, for example, have affected over 1 million New Yorkers. Some 1.1 million today are food stamp recipients, thus the provisions of the Food Stamp Program in the farm bill have far reaching implications.

At present a deficiency in the Food Stamp Program is the ill-conceived formula for determining food stamp allotments under the thrifty food plan. According to the plan the average food stamp allotment per meal per person is 48 cents. I ask you, what can you buy for 48 cents in New York City. An 8-ounce container of yogurt is 65 cents. The lowest price for 7½ ounces of tuna is 59 cents. Even a can of dogfood can cost more than 50 cents.

Last year the weekly food allotment for a family of four was $58, however, the same food suggested by the thrifty food plan in two Brooklyn supermarkets cost $79.73. A full 37 percent more than indicated in the thrifty food plan.

In addition, the comptroller is outraged by the scandalous blame the victim syndrome underlying the thrifty food plan. The Federal Government continues to perpetuate the myth that if poor people were more careful and more thrifty they would be able to devise a nutritious well-balanced meal plan with the allotted benefits.

This assumption is not only ridiculous as the comptroller has shown, but it is also demeaning and cruel. Some sample meal plans devised by the Department of Agriculture do not even include a single glass of milk for any meal throughout an entire week.

The Agriculture Committee must devise a more humane livable food plan. Let us remember the lesson of the psalmist, the stone despised by the builder became the cornerstone of the house itself. The lowliest among us, the most vulnerable, the most exposed, the loneliest, the hungry, the naked, the oppressed, must be fed and clothed and provided for if the house itself is to stand. That is our obligation, our responsibility, the duty to which we are dedicated as we have this house today.

The CHAIRMAN. Thank you very much, Ms. Itzler. Mr. Gross.

STATEMENT OF WILLIAM MARTIN, REPRESENTING GEORGE GROSS, HUMAN RESOURCES ADMINISTRATION, CITY OF NEW YORK

Mr. MARTIN. I am William Martin representing George Gross of the Human Resources Administration. Mr. Gross is unable to be here today, and he extends his regrets.

The Human Resources Administration operates the Food Stamp Program in New York City, and we operate just about the largest program in this city. We have over 1.2 million recipients comprising almost 500,000 households. Most of those households are families receiving public assistance. We also have about 86,000 households who receive SSI, and another 60,000 households comprising the working poor, Social Security recipients, and the unemployed.

We cannot stress enough the importance of the Food Stamp Program to the poor in this city and in this country. And despite cuts in recent years, it is still one of our most important and successful social and health program.

Despite this, however, this program is not what it was before this administration took office. As a result of the cuts in the Food Stamp Program since 1981, poor New Yorkers have lost over $241 million in Federal Food Stamp benefits. Participation has also declined, particularly among the working poor. The nonpublic assistance rolls have declined by almost 50 percent from May 1981 to the present.

And the evidence that we have from emergency food providers, indicates to us that these cuts have had a significant impact on needy New Yorkers.

A survey that we did this year in February of soup kitchens and food pantries, indicated that these emergency food providers reported serving nearly 241,000 people a month. We have no reason to believe that this demand on emergency food providers is going to do anything other than increase, and our findings are consistent with findings in other large cities throughout the country as evidenced by a recent study of the U.S. Conference of Mayors.

It is our position that the restoration of more realistic eligibility standards and benefit levels for the Food Stamp Program is clearly the most preferable way to reduce and eliminate hunger in this country. And, therefore, we strongly support H.R. 2422, Representative Panetta's bill which would restore the 20 percent earned income deduction, raise resource levels which haven't been updated since 1977, and lower threshold for the medical expense deduction in the Food Stamp Program. By the same token, we strongly oppose any proposals to further limit the Food Stamp Program. I'd like to turn to several areas that are particularly important to New York City, both from the point of view of the administrator and from the point of view of the recipient.

The first is the shelter dependent care deduction. As you know, these two deductions have been coupled together for a number of years, and it is the city's position that they should be decoupled and the amounts available for shelter deductions and for dependent care deductions need a significant rise. And, therefore, we support the Weiss bill, H.R. 1844, which would decouple these two deductions immediately, raise the maximum shelter deduction to $175, and raise the maximum dependent care deduction to $160. And this proposal is also incorporated into H.R. 1856, Representative Leland's bill.

This current shelter deduction of $134 is just too low for rent levels in New York City. Currently we estimate that approximately 90 percent of the people eligible for this deduction for whom that level applies have excess shelter expenses above the current levels. Therefore, these households are forced to bear the cost of both high shelter and high food, and may have to if they wish to continue paying their rent, divert money needed for food and other necessities to rent.

Moreover, the coupling of these two deductions, the dependent care and the shelter deductions, means that the dependent care deduction is not available basically to needy New Yorkers. This has a particular impact on the working poor in addition to requiring them to pay high food and high shelter costs, it also requires them to bear the cost of high dependent care.

Quality control—we have been very pleased on the AFDC side of quality control with the bill H.R. 1279, which would reform the current quality control process in the AFDC programs. It's a comprehensive attempt to deal with problems in quality control, and we urge the Agriculture Committee to consider the types of changes that Matsui is suggesting in the Food Stamp Program.

Among other things, the bill sets a base line error rate target, but that target would recognize State differences by allowing the target to be adjusted upward for a variety of factors including high population density, and higher than average percentage of AFDC households with earnings.

There is no data to support a contention that every State should be able to achieve the same error rate in the Food Stamp Program.

Monthly reporting in retrospective budgeting—we strongly urge the committee to make that optional. We have procedures in place including quarterly wage matches so that we can get verification of income on all of our recipients with earned income that we think are much, much preferable way of verifying income rather than having paychecks sent to us every month. And we consider monthly reporting only an onerous and unnecessary administrative complexity.

We recognize that other States have MRRB a chief means of client reporting and verification, but it is our contention that States should be allowed to decide whether or not they want to do that.

We also urge the committee to also consider the issue of more consistency in the AFDC and Food Stamp Program. For example, last year there was a provision passed which gives AFDC recipients a disregard for child support payments that are received. Prior to that provision, the child support payments were going to the AFDC agency. Under that provision, the recipient is allowed to get $50 of that child support payments with no reduction in their AFDC grant. This is intended as an incentive for both the mother and the absent father to insure that the child support is paid. However, this money is not exempt from food stamps. And we are now getting dual computations on the eligibility for food stamps and AFDC. We are getting food stamp levels reduced because of the receipt of that $50, thereby, frustrating the intent of the original disregard. And we urge Congress to exempt these payments for both programs.

Finally, there are proposals this year to deal with the issue of State and local sales taxes in the Food Stamp Program. Panetta has a bill that would prohibit the collection of State and local sales taxes on food stamp purchased items. Helms has a provision that would require sales tax collection to go to the Federal Treasury. We recognize that there is a problem here, and that food stamps are being used to pay for State and local taxes rather than going toward the purchase of food. However, we urge that there be more study given to this issue.

We have a sales tax on a small number of food items that are purchased with food stamps, and prohibiting the collection of that tax would place a strain on retail stores, would be complex and difficult to administer. We also have a pilot program that allows the elderly to use food stamps to purchase food in selected restaurants in the city, and we do charge a sales tax on restaurant meals. Requiring those restaurants not to charge sales tax on these meals would entail complicated accounting and could reduce the number of restaurants participating in what we consider to be a very important program.

Therefore, at the very least we would urge that any prohibition on sales tax collection not apply to these restaurant meals.

Finally, I would like to say that the data that—when this committee considers the food stamp reauthorization and the deficit reduction package, we urge you to consider just how difficult it must be for those families who are seeking help from emergency food providers when their food stamp benefits and other income have run out.

We feel that the evidence indicates that the cuts from 1981 on were too deep, that they contributed to increased hunger in the city, and that there must be some more realistic consideration given to the Food Stamp Program this year. Thank you.

The CHAIRMAN. Thank you very much, and I appreciate both of you being here and your testimony. The next panel is composed of Messrs. William Shanley, Paul Mirsky, John Brady, Joseph Randazzo, and Kenneth Robinson. We'll hear from you first, Mr. Shanley.

STATEMENT OF WILLIAM C. SHANLEY III, PRESIDENT, AMERICAN SUGAR DIVISION, AMSTAR CORP.

Mr. SHANLEY. Good morning, Mr. Chairman. My name is William Shanley, and I am president of the American sugar division of Amstar Corp. and I am here to talk about the sugar section of the 1985 farm bill.

We operate four cane sugar refineries in Boston, Brooklyn, Baltimore, and New Orleans. A fifth refinery, located in Philadelphia, was shut down 2 years ago, putting about 500 people out of work. A casualty, I might add, of the U.S. Sugar Support Program.

Although I am not here to ask for the termination of that program, I am here to ask for fairness in its administration and a moderate reduction in the level of price support in order for our industry to stay in business.

We have a refinery located right across the river in Brooklyn which has been in continuous operation since before the turn of the century; 600 people work at that refinery, and that number does not include the stevedores and truck drivers who unload raw sugar and deliver Domino refined throughout the Northeast. In addition, a number of local businesses furnish services to this facility. The jobs of every one of these people are threatened by the high support levels currently mandated by the Sugar Program in the 1981 farm bill. As evidence of this fact, the Revere Sugar Refinery, also located in Brooklyn, just last month filed a voluntary bankruptcy petition citing the Sugar Support Program as the direct cause of its financial difficulties.

In 1981, when the current agriculture legislation was enacted, the U.S. sugar consumption was 11.2 million tons, 6.2 million tons coming from domestic production, and 5 million tons coming from imports, predominantly coming from Latin America. It is estimated that in 1986 sugar consumption will be down to 7.6 million tons, 6.1 million tons coming from domestic cane and beet sugar production, almost the same, I might add, as in 1981, and 1.5 million tons coming from cane sugar imports. Hence, the entire burden of the decrease in sugar consumption in the United States has been borne by one industry, the cane sugar refining industry. This is manifestly unfair.

Why is one section of the U.S. sugar industry made to bear the entire burden of the decrease in U.S. sugar consumption? Is the job of a blue-collar worker in Brooklyn, Boston, Baltimore, Philadelphia or New Orleans, less important than that of a sugar farmer in Louisiana or Minnesota? Fairness would call for all segments of the sugar industry to share equally in the reduction in sugar consumption.

The U.S. Sugar Program harms our relationship with our Latin American neighbors, who are capable of supplying us with all the sugar we need, but instead are put on highly restricted quotas. The higher sweetener prices resulting from the program must be paid for by the consumer in an amount of between $2 to $4 billion per year.

In conclusion, Mr. Chairman, I request the committee to act fairly. I am not looking for a handout. I ask that you give consideration to those engaged in cane sugar refining, as well as to those engaged in growing sugar cane and sugar beets.

You can make a start toward doing this by reducing the price support for sugar. You will, at the same time, give a boost to our Latin America neighbors and other traditional suppliers of raw cane sugar who are heavily dependent on sugar export revenue. You will also start to give a break to the consumer who is bearing the cost of the current program.

Congress may not have known the consequences of its actions when it enacted the Sugar Program in 1981. We certainly do now, and I hope this committee will take some modest steps toward rectifying the damage done to the cane sugar refining industry by recommending a reduction in the sugar price support level. I thank you for the opportunity to present my views.

The CHAIRMAN. Thank you, sir.

Mr. Mirsky.

STATEMENT OF PAUL J. MIRSKY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, REFINED SUGARS, INC.

Mr. MIRSKY. Mr. Chairman, I am the president and chief executive officer of Refined Sugars Inc., a cane sugar refinery located at One Federal Street, Yonkers, NY. RSI processes both imported and domestically grown raw cane sugar, and produces approximately a half million tons of refined sugar annually, providing year-round employment to over 470 employees. As such, RSI is one of the largest private employers in Yonkers, a seriously depressed urban area.

Mr. Chairman, I appear here before you today to respectfully urge you to consider the terrible consequences that the high sugar price supports of the current farm bill have had on the cane sugar refining industry in the United States, and to take those issues into account when formulating the sugar title in the new farm bill.

Since the adoption of the Agriculture and Food Act of 1981, six cane sugar refineries, representing over 2 million tons of refining capacity, and directly employing over 2,000 workers, have been forced to close.

Two refineries have closed in Philadelphia, one refinery in Boston, one in Chicago, one in New Orleans and just 2 months ago, a refinery in Brooklyn suspended operations and filed for reorganization under chapter 11 of the Bankruptcy Code. With this most recent closure, U.S. cane sugar refining capacity has declined from over 7.5 million tons in 1981 to about 5.5 million, a decline of 27 percent in just 4 years. The reasons for these closures can be attributed to the erosion of the sugar market to corn syrups with high sugar price supports providing an umbrella under which these corn sweeteners are priced. We at RSI are also feeling a serious financial squeeze from this market erosion.

The current Sugar Program has been widely described as a safety net designed to protect the domestic sugar producers from unreasonably low world prices. In this regard, the current Sugar Program has been extremely effective. The price of world raw sugar is currently at 3 cents a pound, while in the United States, raw sugar prices have been supported at near 7 times the world price. Therefore, based on current USDA consumption statistics, the American consumer is footing a $3 billion bill annually to provide this safety net.

However, our main concern has not been so much the erosion of some market share to corn syrup, an event that had to occur under any sugar support program, but that the current high supports have discriminated against one sector of the domestic sugar industry, the cane refiner, in favor of the domestic sugar producer. While sugar consumption is plummeting, domestic sugar production is not contracting. Indeed, in many areas it is expanding, and acreage expansions and processing plant expansions currently underway make future growth inevitable. In other words, the full price for the growth in corn syrup due to high sugar supports is being paid by cane refiners, not to mention our foreign suppliers, while domestic producers in many cases thrive.

Some facts are in order. Since 1980, total sugar consumption has declined from 10.2 million tons to under 9 million tons in 1984, or 16 percent. Cane sugar imports have decreased from 4.7 million tons in 1980 to 2.2 million tons for the current year. A further reduction to approximately 1.6 million tons is almost certain in 1986. This constitutes a decline from 1980 to 1986 of 3.1 million tons or 66 percent. The cane refining industry is being decimated.

At the same time domestic production, with some regional exceptions, thrives. Total domestic production has not decreased at all. Production for the last calendar year has been estimated by the USDA to be just under 5.9 million tons raw value, an actual increase from the 5.7 million tons produced in 1980.

The facts are clear: High sugar prices are drastically reducing sugar comsumption in the United States in favor of other sweeteners. Market forces are not determining the winners or losers in the necessary rationalization. This decision is being made in Congress, and the decision has been to allow domestic producers to thrive while U.S. manufacturers of imported raw materials are being allow to die. This means that desperately needed jobs in cities are being traded for ever increasing production of a surplus agricultural crop.

Finally, I must emphasize that the importation of raw sugar is not new and not a function of recent economic circumstance. Raw sugar for domestic manufacture has been imported since Revolutionary times. This relationship between foreign producer and U.S. refiner has provided the only significant source of foreign income for dozens of small developing nations around the world, while providing domestic employment where it is desperately needed in urban core areas of the United States. It is the best possible relationship, and it has been destroyed.

What is our solution? The domestic price for sugar must be reduced. Simply stated, the sugar industry is shrinking. The pain of rationalization should be shared equally between all sectors. The current market stabilization price creates a bias.

Although many domestic producers claim that current prices are necessary, the facts speak for themselves. Production is expanding, while the market is shrinking. Sugar is currently one of the most, perhaps the most, lucrative agricultural crops in the United States. Furthermore, U.S. sugar prices are now essentially the highest in the world.

The EEC, infamous for its artificially high supports, has a raw sugar price of 15.5 cents per pound, against the U.S. market stabilization price of 21.57 cents per pound. The situation is beyond reason.

In summary, Mr. Chairman, prices are too high. We at RSI agree that some supports are necessary to protect the domestic producers in bad years. We endorse the idea of a safety net. We accept that the consequences will be the erosion of some of our market to corn syrup. This must lead to industry rationalization, but the pain should be shared. The price supports must be reduced significantly. In that case, all sectors will share the burden. The result will be a smaller but far healthier industry. We will become efficient while remaining diversified between domestic beet, domestic cane, and imported raw sugar refined in the United States.

Continuation of the status quo will most certainly cause the elimination of essentially all sugar imports within 2 or 3 years. This will devastate many of our trading partners around the world. It will also mark the end of all domestic cane refining except for the processing of domestic raw sugar. I am sure this is not the intention of existing legislation and that a compromise can be found.

Thank you, Mr. Chairman, for the opportunity to address the committee.

The CHAIRMAN. Thank you, sir. Mr. Brady.

STATEMENT OF JOHN M. BRADY, GENERAL MANAGER, TRANSPORTATION MANAGEMENT DIVISION, PORT AUTHORITY OF NEW YORK AND NEW JERSEY

Mr. **Brady**. Thank you, Mr. Chairman. My name is John Brady, and I am appearing on behalf of the Port Authority of New York and New Jersey. My position with the Port Authority is general manager of the transportation management division of the Port Department.

The Port Authority of New York and New Jersey is a bi-State agency created in 1921 by a compact between the States of New York and New Jersey to promote and protect the commerce of New York and New Jersey port district. The Port of New York and New Jersey is an important asset to the region's economy. Our most recent estimates show that the port generates $14 billion annually in economic activity. This level of activity is represented by some 200,000 jobs, $4.2 billion in wages and salaries, and $2.3 billion in business income. These port industry impacts represent a significant contribution to the regional economy, accounting for approximately 3 percent of the gross regional product, and also generating about 3 percent of regional employment. The reason that I come here before you today is to discuss the region's sugar industry—one important part of the port-related activity. The Port of New York and New Jersey, with 3 refineries in the Port District, is extremely concerned that the future restrictions on sugar imports will cause the closing of some refineries and relocation of others. And in fact, as we have discussed already, the Brooklyn's Revere Sugar Corp. has ceased operations effective in March 1985. These restrictions, as reported by the U.S. Sugar Cane Refiners Association, are expected to reduce the sugar imports from [illegible] million tons in 1981 to less than 2 million tons in 1985 and 1986 market year and 1 million tons by the end of the decade. In 1984, about 30 percent of the Nation's sugar imports were handled across the docks of the New York and New Jersey ports and were processed by the Port of New York's refineries. Commissioner Kieves, I believe, already stated these figures, but I would like to restate them again. The regional economic impact of the loss of this industry would directly effect: Production output valued at $600 million, and an estimated 1,500 jobs. Indirect impact on the region would amount to: Approximately 2,000 jobs; $41 million in personal income; the loss of $127 million in regional sales; $23 million in business services; and so on.

Higher sugar price further aggravate problems associated with the dollar prices. Foreign imports which compete with items manufactured in the New York/New Jersey region and the United States have become extremely competitive as a result of the high value of the U.S. dollar. With foreign manufacturers able to buy sugar on world market at a fraction of the price paid by U.S. industry, product imports that have a high sugar content have even become more competitive. Such imports are competing very successfully with domestically manufactured items and could well result in the loss of jobs in the Port District and elsewhere in the United States. The present sugar program, if continued, will do irreparable damage to the New York/New Jersey region's can sugar refinery industry, to the Port and to the region's economy.

Since the economies of nations being assisted by our Caribbean Basin Initiative, as well as nations in Latin America which produce sugar, will be adversely affected by the continued restriction of sugar imports, we can logically expect that these nations will be forced to curtail their own importation of American products. This would further erode exports through the port district and add to the national deficit.

The Port Authority of New York and New Jersey strongly supports the elimination of import quotas on sugar to preserve the port commerce, the region's remaining cane sugar refineries, and the ecconomic benefits of those activities. Thank you, Mr. Chairman.

[The prepared statement of Mr. Brady appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, sir. Mr. Randazzo.

STATEMENT OF JOSEPH RANDAZZO, PRESIDENT, SUGAR WORKERS COUNCIL OF NORTH AMERICA, AND VICE PRESIDENT, LOCAL 1814, INTERNATIONAL LONGSHOREMEN'S ASSOCIATION

Mr. RANDAZZO. Good morning, Mr. Chairman. My name is Joseph Randazzo. I am president of the Sugar Workers Council of North America, and also the vice president of Local 1814, International Longshoremen's Association.

I guess the majority of the people are talking about plant shutdowns, as a union official I have been the guy who has been suffering the loss of these jobs—we can feel the impact.

In the last 10 years we have seen the shut down of 6 refineries in the northeast area, which is very important—we will get to that later.

The sugar they produce on the average, 20 million pounds per day, we have lost all of 3,000 jobs, which include longshoremen and in-plant workers.

There are many sugar refineries that import this product, have seen these problems brought about by Government policies and high price supports of the domestic sugar industry.

The importers of sugar receive no subsidies. They pay a tariff or import duty or fee on every pound of sugar that comes into this country. The high price support of the domestic sugar industry, and the corn sweetners—talking specifically about high fructose corn syrup—have put the importers at an unfair disadvantage and we have already seen the effects of plants closing down.

It is unique that a tariff paid by the importers helps to support and subsidize the domestic industry. And in the final analysis can put them, the sugar importers, out of business.

The price of sugar on the world market—we all have different figures—but it averages at about 5 cents a pound this past year. The users, that is the importers I am talking about, cannot benefit from this low price because the price supports on imported sugar established by the Government with no checks and balances.

Now, I'll refer to something in the past. In the mid-1960's to mid-1970's when raw sugar was in short supply, world sugar importers had to put up to 60 cents and more for a pound of sugar, and all the refineries operated to supply their customers who needed the sugar—needed the supply. The domestic industry produced their product at that time about 15 cents, maybe less, a pound.

But at this point in time, to remain competitive—and I want you to understand this—the domestic industry to remain competitive, they raised their price to 70 and 75 cents a pound. And this was the biggest ripoff of the American people in all the history—that was the biggest ripoff of all, and the domestic industry did that.

Again, to this day I cannot fathom if the world supply against supply and demand—if the importers are paying 60 cents a pound and they are producing it at 15 cents a pound, to remain competitive they raised their prices up to 70 and 75 cents a pound. This is why I say no checks and balances, and there ain't no control in relation to the Farm Act.

Now, if this policy that is in effect at this point in time is allowed to continue then I forsee the eventual doom for the remaining refineries. It will only be a matter of time before the American consumer will be paying 70 cents for a pound of sugar, and of course, all products using sugar will rise no less than 25 percent.

Again, we with the highest population are most affected by the high price support system and quotas that are set because if this continues and the rest of the northeast region's refineries close down and then there is no work—no work—because we have no cane, no beet sugar farms that benefit from Government protectionism. The tariffs we pay lead to the loss of our jobs, and if the remaining refineries cease to exist because of shipping sugar from a distance of 1,500 miles will be borne by the consumer.

I urge you, Mr. Chairman, to take a serious look at this problem we face. Again, we feel for the family farmer and again I am going to make a general statement. We have compassion just like my workers who don't have their jobs anymore, we feel you are going to have to have some kind of support, yes, for the family farmer—not the conglomerate, not the big people, big business. Because this Government doesn't support business as a normal basis, why support big conglomerates—you want to support the small farmer, great. But set a cap on it. That is where the help should go—not to the conglomerate that deals in hundreds of millions and maybe $1 billion a year. This is not what we are talking about. We are talking about subsidizing—I'm talking about out in the Far West—I know in Hawaii, which is one of the major domestic producers, there are five companies that produce the majority of sugar. And they are the ones that are subsidized.

Again, I thank you for your time, Mr. Chairman.

The **Chairman**. Thank you, sir. Mr. Robinson.

STATEMENT OF KENNETH W. ROBINSON, SENIOR VICE PRESIDENT, OPERATIONS, REVERE SUGAR CORP.

Mr. **Robinson**. Mr. Chairman, my name is Kenneth Robinson, senior vice president of Revere Sugar Corp. I think it is only fitting that Revere Sugar should have been excluded from your formal list of panel witnesses today—just as the farm bill of 1981 caused the exclusion of Revere Sugar from active participation in cane sugar refining.

I am here today to respectfully urge this committee to restore equity to our farm program and thus remove the terrible burden it has placed on cane sugar refining over the last 4 years.

The high sugar price supports included in the 1981 farm bill, along with the restrictive sugar import quotas which followed, have severely damaged the sugar refining industry by imposing artificially high prices on our product, making us unable to compete in the marketplace with sugar substitutes, causing irreparable harm, Mr. Chairman, to my company, and costing the American consumer billions of dollars for artificially high priced sugar and sugar substitutes.

Government intervention in our business has both restricted our supply of raw sugar and raised the price of this commodity to more than four times that paid by our Canadian counterparts.

As a consequence, two major sugar refining companies—National Sugar and Godchaux Henderson—have shut down. A third, Amstar, has closed one of its larger plants, and Revere Sugar Corp. has recently filed—as you heard from everyone on this panel—a petition in bankruptcy.

Four years ago, Mr. Chairman, Revere Sugar operated profitably three cane sugar refineries with an annual capacity of 850,000 tons per year. In these 4 short years Revere's sales have plummeted from $360 million to 0. Two of our refineries have been permanently closed and the third idled, putting nearly 1,000 people out of work.

The cane sugar industry has become an economic testbook case of what happens in a market when the supply of a commodity is fixed, inflating its price. Demand for a commodity drops as soon as the consumers are able to locate less costly substitutes. In the cane sugar industry, import quotas and the artificially high price of raw sugar set by the Government quota system forced our major customers, the soft drink producers, to seek a cheaper alternative to pure cane sugar, and they now use corn sweetners, which benefit from the Government's price umbrella. The greatest beneficiary of the Sugar Program is clearly the corn wet milling industry.

We blame the Federal Government, Mr. Chairman, in its zeal to protect less than 1 percent of this Nation's farmers, for creating a program in 1981 which is neither market oriented, nor fair.

I ask you to take a close look at who benefits and who suffers from this program. Cane sugar farmers certainly benefit, but sugar cane, grown on fewer than 1,400 farms, has enjoyed Government protectionism way out of proportion with the assistance given to other more essential crops.

Why, protectionism for domestic sugar has been so high, that where refined sugar is normally marketed within a 500- to 1,000-mile radius of a cane refinery or beet processing facility—even more typically 200 to 300 miles—we've recently seen Hawaiian cane sugar refined in California and shipped at great expense to the east coast for sale. And that is going on today, Mr. Chairman.

Ironically, the domestic sugar farmer's own future would seem in doubt as the Government quota system forces up the price of this crop well above that of competing goods.

Although the program was intended to protect domestic cane sugar farmers, Mr. Chairman, economic reality is that they too suffer as market after market searches for cheaper alternatives—natural or artificial—to artificially high priced sugar.

Beet sugar farmers benefit. But, as you must know, beet sugar farming and processing make no economic sense whatsoever in this country except in those few years when sugar prices soar—something which has occurred in only 3 of the last 20 years—unless the Federal Government elects to subsidize this nonessential crop which is grown on fewer than 10,000 of our Nation's farms.

Do consumers really benefit from protectionism against the possible evils of an alleged international sugar cartel? Obviously, the answer is no. If there was a cartel, protection from it for which American consumers must pay billions of dollars in excess prices for sugar and sugar-containing products would not be worthwhile.

Moreover, I can tell you from personal experience that the U.S. sugar industry is extremely competitive. It would appear, Mr. Chairman, that the only ones who truly benefit are the corn wet millers whose product is allowed to be artificially priced below, and they keep it just below, the inordinately high price of sugar.

Everyone else, Mr. Chairman, gets hurt. The developing countries, many of whom are economic and military allies, have lost a major portion of their sugar market here, and therefore, lack the dollars necessary to purchase American equipment, agricultural, and other products. This leaves them disposed to trade with nations perhaps less closely allied with our principles and goals, while they consider retaliatory measures against American goods.

The industrial sugar user, Mr. Chairman, gets hurt as refineries at home close, threatening future supplies, while sugar-containing goods from abroad pour into our markets in obvious circumvention of our quotas. Confectioners saw nearly 200,000 tons of sweetened chocolate and nonchocolate product enter our market in 1984, while bottlers, like Coca-Cola, stopped producing "the real thing" in favor of a cheaper, reformulated beverage containing corn sweeteners, which would appear to have everything but consumer appeal.

The cane refining industry, Mr. Chairman, has suffered tremendously and has suffered the most. Revere Sugar has closed three of the six cane refineries in this country which have been forced to shut down since the Sugar Program became law. And we now find ourselves working to reorganize under the protection of the bankruptcy court.

We need your help, Mr. Chairman, and we need it now. The Sugar Program is patently unfair. It falls hardest on imported cane refiners, such as ourselves, and benefits too few people at the great expense of the American public and our trading partners. It has paid the sugar beet farmer in Minnesota $411 per acre above his variable cost while it paid the corn farmer $121 per acre over his. It paid the sugarcane farmer in Louisiana $458 per acre, while it paid only $69 to the soybean farmer. I am obviously not proposing that we increase payments to the 1,200,000 corn and soybean farmers in our land compared to some 12,000 sugarcane and sugar beet farmers. Merely that we recognize the inequitable results produced by the Sugar Program.

You can help us by reducing the market stabilization price in the new farm bill to 14 cents per pound from the current 21.57 cent level. To achieve this 14-cent level, we prefer the imposition of fees and duties without the advalorem restriction rather than the use of quotas. Quotas are too restrictive, and must be an embarrassment to this administration which so strongly advocates free trade in the marketplace.

It is estimated that the 14-cent M.S.P. would support over 3½ million tons of this country's most efficient cane and beet production. The domestic producers would be guaranteed a return on their sugar many times the world price for several years to come, and a healthy 50-percent share of the total sugar expected to be consumed in the United States in that period. Today, with the M.S.P. at nearly 22 cents per pound, even the most inefficient producers, like Hawaii, California, and the Great Plains States, are supported and the domestic industry enjoys a whopping 70-percent share of domestic sugar deliveries. I must emphasize, Mr. Chairman, that this proposal would not eliminate sugar subsidies, it would simply reduce the unfair advantage that sugar producers have had over those who produce other commodities. We need this lower M.S.P., if the sugar industry is to survive the latter half of this decade. And, of course, I am referring to cane refiners.

You can help, Mr. Chairman, also by including production controls on domestic sugar similar to those which existed under the old Sugar Act. Sugar is the only domestic program where producers receive benefits without obligations; such controls exist on every other domestic crop program.

But this help restoring equity and balance to the domestic Sugar Program can't arrive until late 1986, and we need help now. You can give us immediate relief by urging the administration to approve the so-called "Savannah proposal" authorizing the use of world sugar in soft drinks. The soft drink market has been forced by the Government quota system's artificially high price for U.S. sugar to move away from sugar as a soft drink component. So, importing world sugar for this purpose will not impact the domestic sugar market as it exists today, but will help the future of importers of cane sugar like Revere in a very meaningful way. In the last 4 years you have cut our supplies from 5 million tons, as mentioned previously, in 1981, to just over 2 million tons today. And remember, Revere Sugar alone represented 1 million of those lost 3 million tons. Please, Mr. Chairman, give us back the right to compete for the 1½ million ton soft drink market again. That is all we want, the right to compete. We are not asking for subsidies. We are an efficient industry when left alone. We just need to be left alone. The President can implement this proposal with a stroke of his pen. Please urge him to do so, and please, Mr. Chairman, allow us to compete freely again, not with our hands tied behind our backs. Thank you.

The CHAIRMAN. Thank you very much. Let me say, Mr. Robinson, that I apologize if there was any confusion about your appearing on the panel. When you called Washington yesterday, we were already in the field, and the witness list had already been printed. So, I hope that you understand that it was not intentional that your name was not on the list; it was just one of those things that happens.

Mr. ROBINSON. I understand. I just thought it was ironic, that's all.

The CHAIRMAN. I thank all of you very much for your contribution, and I assure you that we are going to look at the problem and see what we can do. I would like to make two comments though. Mr. Robinson, you mentioned the 3 years of high prices and Mr. Randazzo mentioned that those were the years when we didn't have a program—when it went to 60 cents, and sold at 70 or 75 cents.

Mr. RANDAZZO. We had the Sugar Act in effect at that point in time.

The CHAIRMAN. That was when we were between programs. And the other question is could you go and buy your sugar at 3 cents a pound, refine it and have a stable supply?

Mr. SHANLEY. Yes, we buy it now for re-export, as you probably know. We buy it for 3 or 4 cents. Now, what would happen if the current program were abandoned, the world price of sugar would undoubtedly come up. It wouldn't be 3, it would probably be somewhere near 6, 7, 8, 9, 10—something like that—because the existence of the U.S. Sugar Program is one of the biggest depressants there is on the world market. So, we are really hurting the underdeveloped countries in two ways. We are hurting them by not allowing any sugar to come in, and we're hurting it because we are depressing the world market on where they do have to ship.

The CHAIRMAN. But the world market is only the dump market.

Mr. SHANLEY. Well, it's a market of 20 million tons. I mean, it may be small, but it is as much as 20 million tons of sugar. And you can buy it, yes, today at 3 to 4 cents delivered into New York City.

The CHAIRMAN. That is because everything else has been filled.

Mr. SHANLEY. There is a huge surplus of sugar in the world. The U.S. Sugar Program having caused it, to a large extent, because of high fructose corn syrup.

The CHAIRMAN. You're still in the game, but the odds are that if we throw figures around, like 3 cents, people will believe if one gets it for 3 cents, they can get it for 5 cents. All of us know that the smallest amount of sugar bought by consumers is what is bought on the shelf.

Mr. SHANLEY. It's about—in the United States of course it has gotten bigger now because with Coke and Pepsi going to corn syrup, the amount that is sold on the shelf is a bigger proportion of the total—it probably runs around 30 percent of the total U.S. sugar market.

The CHAIRMAN. I thank all of you for your contribution. I assure you it is a very difficult area, but we are going to try to bring equity to the program.

Mr. SHANLEY. Well, we need help badly.

The CHAIRMAN. You have our assurance of cooperation to the extent possible. Thank you very much. Mr. Rosenthal, Mr. Van Leer, Mr. Maloney, and Ms. Martinez.

STATEMENT OF GEORGE ROSENTHAL, CHAIRMAN, INDEPENDENT BAKERS ASSOCIATION, ACCOMPANIED BY ROBERT N. PYLE, PRESIDENT

Mr. ROSENTHAL. Good morning, Mr. Chairman, my name is George Rosenthal. I am chairman of the Independent Bakers Association and a former president of the Fink Baking Corp. located in Long Island City in the Borough of Queens, here in New York. With me today is Robert Pyle, president of the Independent Bakers Association.

The IBA is a national association of over 300 members, most of whom are small or medium sized family-owned wholesale bakeries. Fink Baking Corp., for example, is a family-controlled, variety wholesale bakery, and our customers are generally hotels and restaurants. IBA members produce over half of the country's baked goods.

We are pleased to present our views concerning the sugar title, of the 1985 farm bill under consideration by the House Agriculture Committee. This is in reality a tax on sugar paid for by 240 million Americans.

Our views are simple and the same as they were in 1981 when the present Farm Act was under consideration. IBA vigorously opposes the inclusion of a sugar title in the farm bill. We oppose the sugar price support program in its entirety, including the administration of the program by the Department of Agriculture, and the imposition of sugar import quotas for the following reasons:

One, the high support prices on sugar also increases the price of alternative sweeteners such as isometric sugars and corn syrups, which peg their prices at 70 percent of the U.S. domestic raw sugar prices. Here again the American public is paying a high price for this unsound program.

Two, the program guarantees a high floor on sugar prices, but does not mandate a ceiling on prices. In recent years when the world sugar prices were high, domestic cane and beet sugar producers raised their prices in concert with world sugar prices without regard to production costs. This program does not provide "stability" in sugar prices for bakers and consumers as proponents of the Sugar Program maintain. It merely guarantees a profit for the producers.

Three, the program, as presently administrated by the Department of Agriculture, mandates raw sugar prices 4 times the world price imposing excessively high ingredient costs on bakers who produce sweet goods. Since the imposition of sugar import quotas, Canada has flooded the country with sugar blends and sweet goods made from sugar purchased at world prices. How can our bakers compete? As you are well aware, any Government program that controls supply and prices is open to abuse.

Four, elimination of the sugar title from any proposed farm bill would not have any great effect on agriculture. According to the USDA, there are only 11,178 cane and sugar beet farms in the United States. This is less than 1 percent of the Nation's farms. There are many cash crops to keep sugar farmers in business if they wanted to switch to other crops in the absence of a Sugar Program. Many of the producers are large corporations, some multinational in scope including the Amalgamated Sugar Co., Holly Sugar Co., Castle & Cook of Hawaii, IU International, the U.S. Sugar Corp., and Amfac, Inc; these corporations benefit greatly from the existing Sugar Program.

In its backgrounder on sugar released last fall, the Department of Agriculture said the program in 1982-83 based on production of 5.9 million tons "yielded domestic sugar growers and processors an estimated $1.5 billion or $118 million per 1 cent per pound of premium (over the world price)." Consumer groups and other sugar users have said the premium is costing the consumers an estimated $3 to $5 billion annually in increased food costs. Many in the baking industry view this as a direct tax on consumers.

Regardless of the argument as to how much the Sugar Program is costing consumers, it is merely a redistribution of income, as a Heritage Foundation study points out. Money taken in dribs and drabs from the 240 million Americans in the form of increased food costs is distributed to some 11,000 producers and processors of beet and cane sugar. In actuality, 75 percent of all sugar is grown by 20 large corporations. The Sugar Program may not be costing the Government anything, as the producers claim, but it is certainly costing the bakers—and ultimately all consumers.

Five, the lack of production controls on domestic sugar producers in exchange for this largess is putting east coast bakers at a disadvantage. If this Sugar Program is continued or extended, the import quotas will continue to be lowered as production of high-cost domestic sugar increases. This will force bakers to purchase domestic cane and beet sugar that must be marketed from greater distances at increased costs.

Six, elimination of sugar from the farm bill would not be a great hardship for beet sugar farmers. Sugar beets are a rotation crop, planted every 3 or 4 years. Many of these farmers grow other subsidized crops such as wheat and soybeans. Why should these farmers be granted price supports far in excess of any other commodity program available.

Seven, the present Sugar Program, and the high prices it mandates, was based on inflated production costs. The USDA revised its estimates of production costs downward by nearly 6 cents a pound even while Congress was debating the sugar title in the 1981 farm bill.

Eight, the high cost of refined sugars is causing manufacturers to look for and use alternative sweeteners, which is having a devastating effect on the sugar refiners in this country. Since 1982—in just 3 short years—30 percent of domestic sugar refiners have closed. If this trend continues, we will soon have no U.S. refiners. Five thousand jobs have already been lost in these closed facilities, including one in Brooklyn, NY. When all of our domestic plants are closed, we will have to import refined sugars or send our domestic sugar overseas for processing.

Sugar is no longer a strategic commodity as it was during World War II. As bakers, we are willing to take our chances with a free market. For these reasons, we recommend that the House Agriculture Committee reject the sugar title when they consider the 1985 farm bill. By doing so, the House will be repealing one of the cruelest taxes of all for the American consumer—the sugar tax.

Thank you, Mr. Chairman, for this opportunity to present the views of the IBA.

The CHAIRMAN. Do you have a separate statement, Mr. Pyle, or are you accompanying Mr. Rosenthal?

Mr. PYLE. I don't have a separate statement. I am just accompanying Mr. Rosenthal. The one point, I would like to make, though, Mr. Chairman, is that in the short range it is the cane sugar refiners that are suffering, but I think in most observers' judgment in the long range it will be the sugar producers. Because the high support program and quota program are transferring jobs now from the cane refiner to the corn producers.

I think that's the switch in jobs going on now and eventually more people in the sugar-producing areas of our country will lose jobs to the corn syrup manufacturers.

The CHAIRMAN. Thank you very much, sir. The next witness is Mr. Ted Van Leer, Chocolate in the Dutch Tradition.

STATEMENT OF TED VAN LEER, VAN LEER CHOCOLATE CORP.

Mr. VAN LEER. Mr. Chairman, I would like to thank you for extending me the opportunity to talk to you about the effect of the Sugar Program on Van Leer Chocolate Corp. and the chocolate industry in the United States as a whole.

My name is Ted Van Leer, and I am employed by Van Leer Chocolate Corp., a small family-owned chocolate plant located in Jersey City, N.J. We are committed to the Jersey City area, and have put considerable moneys back into our plant and our workers.

Our plant produces all wholesale chocolate and related products to the confectionary, baking, and dairy industries. We are committed to providing the highest quality product and best service available.

Although we have a very modern and efficient plant, we continue to suffer the disadvantage compared to our imported European or world chocolates, which comes in more than 20 cents a pound below our price for comparable products.

Why the difference? Our prices for cocoa are essentially the same, our plant is as efficient as any, but the current sugar and dairy programs have put us at a huge competitive disadvantage. Foreign manufacturers pay one-third the price we do for dairy products, which at a minimum comprise 12½ percent milk chocolate. They pay approximately 60 percent less than we pay for sugar, which makes up 50 percent of milk chocolate.

Basically, while we are paying 95 cents for nonfat dry milk, the Europeans, for example, are paying 33 cents—and that is a very conservative number. While we are buying refined sugar for 28 cents per pound, the Europeans can get the same product for 12 cents per pound. As a result, we have seen a drastic increase in the imported chocolates.

I have a chart here which illustrates how much the imported chocolate market share has grown to the detriment of U.S. manufacturers. I would like this chart to be inserted into the hearing record.

The CHAIRMAN. It will be included.

Mr. VAN LEER. The foreign manufacturers market share has grown, not because foreign manufacturers produce a better product or more efficient, but because U.S. Agriculture price supports make it impossible for U.S. manufacturers to compete.

This not only threatens us as manufacturers, but also works to circumvent the quota on imported sugar. As every pound of imported chocolate brings in ½ pound of sugar, which is not counted in the quota.

I would also like to point out another sugar-related problem facing Van Leer Chocolate. Since the implementation of the current Sugar Program, we have seen our sources of supply continually shrink. In 1981, there were eight refineries in the Northeast, today there are four—one of which we heard about earlier curtailed operations last month.

At present, we are only able to buy from two refiners. Unless the Sugar Program is changed, we will lose additional suppliers as imported raw cane sugar continues to decline with the quota.

Mr. Chairman, I implore you to consider a reduction in the sugar price support. At present there are no other programs more generous to a small number of farmers, paying them 3 to 10 times more per acre to plant sugar over other federally supported products.

This program has cost American consumers billions of dollars, and it has hurt the economy of underdeveloped nations we are trying to help through the Caribbean Basin Initiative. If we continue to shrink the import quota, depriving developing countries of a chance to export one of their largest crops, where will they get the money to buy our agricultural exports? Where will they get the money to pay their debts?

All we are asking for is some consistencies in Federal rulings. If we are going to pay 28 cents for refined sugar, why let foreign products in with 12-cent refined sugar. Is the Government going to force U.S. chocolate manufacturers to set up offshore operations so that we can compete with foreign manufacturers for the domestic U.S. market?

By leaving the U.S. chocolate manufacturers no alternative to move offshore, are you not leaving the U.S. sugar growers with even smaller markets—a market share made much smaller since the defection of many sugar users to alternate sweeteners.

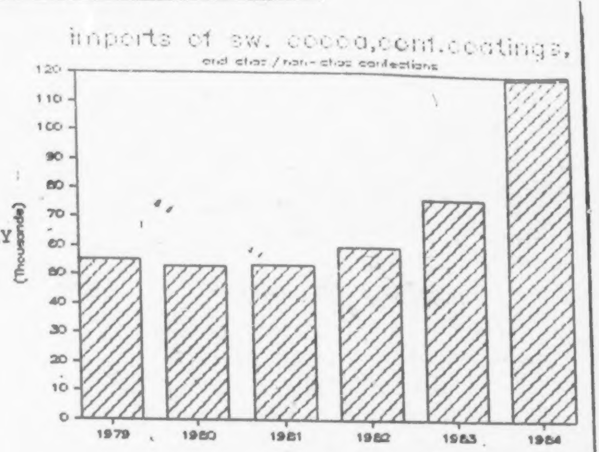
Any sugar support program should be fair and equitable to producers, users, consumers, and taxpayers, and should not interfere with other Government programs. The present sugar program clearly has not worked, and we believe a more market-oriented approach would be in everyone's best interest. Thank you, sir.

[The chart follows:]

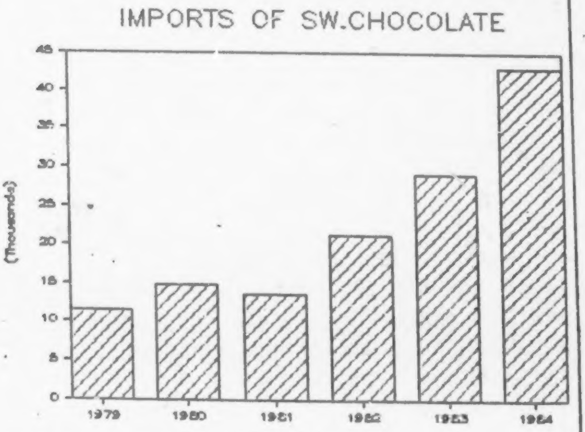
April 1, 1985

IMPORTS OF COCOA, CHOCOLATE & CONFECTIONS

NON-CHOCOLATE CONFECTIONERY IMPORTS



SWEETENED CHOCOLATES



Source: U.S. Dept. of Commerce "U.S. Import, IM 145X"

Compliments of:
Van Leer Chocolate
110 Hoboken Avenue
Jersey City, NJ 17302

The CHAIRMAN. Thank you. Mr. Maloney.

STATEMENT OF ROBERT MALONEY, VICE PRESIDENT, MALONEY COMMODITY SERVICES

Mr. MALONEY. Mr. Chairman, my name is Robert Maloney, vice president of Maloney Commodity Services. I just returned this morning from the sugar-producing area of northeast Brazil, with the encouragement of the Brazilian Government to register their distress over the current farm legislation.

With your permission, I would like to read this statement on behalf of our corporate president, and my father, Martin Maloney.

We are an independent supervision weighing and sampling company whose principal work is the certification of the weight and quality of imported raw and white sugars into the United States. We represent a large number of the important shippers of sugar to the United States including the Dominican Republic, Brazil, Peru, Columbia, Argentina, the Philipines, to name a few.

Therefore, on behalf of our company the intermediate organizations we work with like brokers, U.S. custom brokers, et cetera, and these important shippers I've mentioned, I very much appreciate the opportunity to testify to this committee on the plight we are facing under the present farm bill with respect to sugar.

Because of the serious reduction in imported sugar under the present program, we have seen the list of sugar weighing companies in the past 4 years drop from 10 to 4 in the New York area alone. Also whereas 2 years ago we had call on over 40 specially qualified and experienced weighers and samplers in the New York area, that number has been reduced to nearly 15 men.

It doesn't take much calculation to see that this amounts to a 50-percent reduction in the special sugar labor section, to say nothing of the loss of hundreds of ship laborers, longshoremen and stevedores, who physically remove the sugar from the ships. Hundreds of employees in brokerage houses, operators in financial institutions are also affected—forced to seek different fields.

Likewise, you've heard mentioned already this morning of the closing of six sugar refineries in the past 4 years. Again, a similar reduction of about 50 percent from prior levels.

We see the effects of the current sugar policy as extremely lopsided, and after witnessing its economic and social impacts, not only in the United States, but in many of these overseas countries, we cannot see how this domestic legislation is in our own national best interest.

Losers appear to far outnumber gainers with current U.S. policy, and we in the U.S. may end up to be the biggest losers of all when we find ourselves without secure offshore sources of supply and adequate U.S. refining capacity down the road.

Over the past several years of the current law, we have seen import levels drop dramatically to relieve pressure of the stabilization price in the domestic market at about 21 cents per pound. This has had the effect of making additional stocks available to the already oversupplied world market causing further drops in world prices to 3 cents, and putting indirect pressure on the domestic price level.

The cycle feeds on itself, and to hold the market stabilization price, quotas are extended from 12 months to 14 or directly cut. Hence, current U.S. law directly impacts the dollar revenue so critical to our offshore suppliers. Not only by restricting the quantity of imports allowed into the United States and reducing the dollar revenues therefrom, but also the dollar revenues they earn on the additional exports to the world market.

Unless we change this situation now, the last year of the current bill will probably see further cutbacks in imports. Unlike prior cyclical downturns in sugar, these last years show a reluctance of offshore producers to cut back production because of their overwhelming need for dollars at almost any price.

Who are these suppliers? About 65 percent of all the imported sugar into the United States comes from the Caribbean, Central America, and South America. All of these countries have foreign debts at record highs along with enormous public deficits, high unemployment, and inflation. Most are involved in negotiations with the IMF—so-called bailouts which require very austere stabilization programs internally that are highly destabilizing in social terms.

Manifestations of this recently occurred in the Dominican Republic with near rioting. Dozens of people were killed when the IMF forced local prices to rise as part of their austerity program. Our legislation does not allow these countries a chance to use exports to help climb out of this predicament because their exports are still principally primary commodity exports whose entry into the U.S. market, which has been their key export market, restrict it.

Most of these countries also have fragile democracies with already significant social tensions, is it really in our national interest to allow U.S. farm legislation to exacerbate these conditions? There is a price associated with this destabilization and we have to be prepared to pay it if our current farm legislation continues its present course.

Losers in the program also involve U.S. consumers who, as mentioned earlier, pay about 15 cents more per pound than would be the case, equal to several billions of dollars. The negative effects on U.S. refining capacity have also been noted this morning. Since the first year of this legislation there is a drastic drop in refining capacity and more will come if there is no change. Historically, sugar policy has sought adequate supply of raws for security purposes, but where is the security in our current policy if we don't have the cane refinery capacity down the road.

Closing of refineries is pragmatically speaking an irreversible process. These refineries don't have the same return on investment possibilities that the fructose corn suppliers get, so it seems to us the best way to get adequate supply and secure supply is to open markets and insure refinery capacity down the road.

If the market stabilization price cutback that is currently being discussed in agriculture is gradual, say 3 cents per year starting October 1, 1986, imports could at that time be down to a level of 1 million tons per year. And at that level we won't have an adequate refinery capacity base to handle any change upward after that time should our policy become more enlightened visa the imports.

We need to give offshore suppliers and U.S. refineries a chance to compete with protective fructose industry, who appear to be the only winners in this program so far. Our customers ask us why does your Government deceive us by telling us that we offer you a Caribbean Basin Initiative and then reduce our market by continually lowering quotas which take away our only chance to earn dollars.

Please bear in mind that the Dominican Republic, which depends on over 35 percent of its nations foreign exchange receipts from sugar exports, finds itself with a serious reduction of this revenue by possibly further quota reductions of another 50 percent. This also effects U.S. exports since the Dominicans need many manufactured items which they largely purchase from the United States.

There are 8,000 independent cane farmers in the Dominican Republic and 1 in 10 Dominicans derives his livelihood from the sugar industry. Therefore, any lessening of employment at this time when their food prices are rising—incidentally they have risen 30 percent in the last couple of months—breeds an almost unpredictable unrest.

Brazil, another important sugar shipper to the United States, is the world's biggest foreign debtor—about $103 billion. The IMF is trying to negotiate a new accord on this debt for the next year, and again we find possible quota restrictions next year having a similar effect to that outlined in the Dominican Republic, lower dollar revenues, higher unemployment, and greater social instability. And so it goes with many of the other suppliers we have mentioned.

What are we proposing as solutions for your consideration? Elimination of quotas—this is certainly preferred. In the immediate future, it would seem that increasing the quotas for these destitute countries and a sharp reduction of price supports would help at least to ease the situation.

Also we suggest for your consideration a chance for the foreign cane suppliers and U.S. cane refiners to compete in the high fructose syrup market by an additional special allocational quota for the purpose of high fructose cane syrup. This would demonstrate a more balanced policy by restoring competition, and in our opinion, serving our Nation's best interest. Thank you

The **Chairman**. Thank you, sir. Ms. Martinez.

STATEMENT OF DEBRA MARTINEZ, PROJECT MANAGER, NEW YORK DEPARTMENT OF PORTS AND TERMINALS

Ms. **Martinez**. Yes, Mr. Chairman, my name is Debra Martinez, and I work with the New York City Department of Ports and Terminals. I am project manager for several markets. Two of my markets being wholesale markets. At this time my comments in general, solely in support of farmers in New York City and New York State, and only to show our cooperation with New York State Urban Development Corp. and the New York State Department of Agriculture by announcing that we are supporting a new farmers market at a city-owned wholesale market, Bronx Terminal Market.

The New York State Urban Development Corp. is contributing $800,000, the city is contributing $320,000, and the development corporation who runs the market is contributing $130,000.

We expect that this farmers market will be used by not less than 75 farmers at a reduced price for them to sell their wares wholesale. The market presently produces about $700 million in food products, and it has 55 existing wholesale outlets. We expect that these farmers will serve a minimum of 12,000 retail stores in the city and add 150 direct and 300 indirect jobs to our city.

The Department of Ports and Terminals has regulated public markets since 1939, and we hope to use our public markets to support the farmers in whatever way we can. Thank you, sir.

The Chairman. Where did you say—in the Bronx?

Ms. Martinez. Yes; Bronx Terminal Market is located very close to Yankee Stadium on the waterfront property.

The Chairman. Thank you very much. Let me ask a couple of questions for the record. Mr. Rosenthal, do the independent bakers also bring in cocoa, honey, or other items?

Mr. Rosenthal. We have a few people who are producers of sweet goods and they do that. We don't have a lot of those numbers however.

The Chairman. Regarding pastries and so on, do they include honey or cocoa?

Mr. Rosenthal. Cane sugar is used and honey, and cocoa, and chocolate—yes, sir.

Mr. Van Leer. Excuse me—cocoa is not a sweetener.

Mr. Rosenthal. Well, the cocoa is used mainly in the chocolate.

The Chairman. You have chocolate in the pastries and so on, yes. Cocoa is bitter, and I know it is not a sweetener.

Mr. Van Leer. Excuse me.

The Chairman. Mr. Van Leer, do you use honey?

Mr. Van Leer. No, sir.

The Chairman. What ingredients do you use—milk, powdered milk, cocoa, and sugar?

Mr. Van Leer. Powdered products pretty much—any moisture in chocolate ruins it. So, we are pretty much a captive audience of sucrose, unless the corn wet millers develop a crystalline fructose.

The Chairman. Well, your products I have tasted are very good.

Mr. Van Leer. Thank you, sir.

The Chairman. Mr. Maloney, how many mills are there in the Dominican Republic for raw sugar?

Mr. Maloney. The smaller ones on up, you're talking about a couple of dozen.

The Chairman. And what is the biggest one there?

Mr. Maloney. Well, the Government mills I suppose—the one outside of Hyannis is probably the largest.

The Chairman. And then the next one?

Mr. Maloney. The ones surrounding San Pedro de Marquerrite [phonetic], which there are several both Government and private.

The Chairman. Who owns the private mills?

Mr. Maloney. The Chini [phonetic] family.

The Chairman. I understand Gulf & Western has a big one down there.

Mr. Maloney. La Romana, yes, which is no longer owned by Gulf and Western, as you probably know. Those are now in private hands. And the Government mills would still make up the largest portion of total production.

The CHAIRMAN. Thank you very much. I appreciate all of you being here.

I understand that our assembly member, Rhoda Jacobs and Diane Cavanaugh have arrived. Ms. Jacobs, we would be happy to hear from you.

STATEMENT OF RHODA S. JACOBS, MEMBER, NEW YORK STATE ASSEMBLY, AND CHAIRPERSON, TASK FORCE ON FOOD, FARM, AND NUTRITION POLICY

Ms. JACOBS. Thank you and welcome to our city, Congressman. I just want to make note of the fact that we think our weather is inclement, we have been praying for this rain for our water shortage.

I am Rhoda Jacobs, a member of the New York State Assembly, and as such I chair the New York State Assembly Task Force on Food, Farm and Nutrition Policy. And our task force is very concerned with the entire food system in the State of New York, from the producer to the consumer.

Our legislative activities range from soil conservation to food stamps in restaurants for senior citizens, and this year we have been actively involved in trying to reduce hunger in New York City, particularly in children's feeding programs.

We have initiated a special State supplement for the reduce price school lunch program and expanded our State Nutrition Assistance Program, which is targeted toward WIC applicants, seniors, and the hungry homeless.

Our interest in hunger has sharpened. Over the last year we had a series of public hearings across the State, and we learned that hunger as a result of poverty is indeed growing, and we find that there is not a shortage of food here, but an inability for some people to buy food and the people most vulnerable are our elderly and our children.

The task force which I chair, believes that we should have a single food policy, and that by attempting to have separate agricultural and consumer policies, we are setting ourselves up for problems. In this State and in the country right now we have people who are going hungry and we have farmers who are going broke simultaneously. And this seems to be a result of a failed agricultural policy.

We believe that our Nation has to address the problems of food production as a whole system and not just as individual parts, a producer, a marketer, and consumer. And some suggestions, if I may, for the directions to be taken in the new farm bill are:

Adopting as a national policy the elimination of hunger in our country by the turn of the century. We believe there is no excuse for malnourishment and suffering in this land of plenty.

Any stored commodities that we currently have should immediately be made available to the hungry people in our community. And the Federal Government should pay for the disbursement of these commodities. I understand that the—depending on who is interpreting the use of the commodity surplus fund there is the capacity of the Government to pay for this commodity distribution. We shouldn't be playing games with the health of our citizens.

Food stamps should be brought up to date with current market costs. I can't live on my 1972 budget; I don't expect many other people can.

I think we should be looking at a reduction of our dependency on petroleum and petroleum by-products in the production of our food.

We should be reviewing our agricultural research. I am not sure, for example, that we really need cows that are capable of producing more milk individually. We seem to have enough problems marketing what we are producing right now.

We are very concerned about protecting our family farms, and in New York State, which you've heard is a major agricultural State, has primarily small farms. We believe those farms have suffered under past U.S. agricultural policy because those policies are designed largely to benefit larger corporate producers of the Midwest and the West. One step that the Federal Government could take to help the family farmers, certainly in New York, would be the encouragement of local marketing—fresh fruit and vegetable marketing and processing. For example, when the Federal Government is preparing to make a large purchase of fruit for perhaps a military base, we hope they would make an effort to allow small, local producers to bid.

I am somewhat concerned also about our Federal farm loan financing system. I think that our farmers need more access to information, and to their rights under that system. As an example, in New York State we were somewhat concerned about the rash of foreclosures for small farmers across the country, and in trying to do something to preclude those possibilities in our own State, our legislative body, our task force, had a great deal of difficulty getting any information from the Federal Farm Loan Bank—home bank, one of those acronyms—we couldn't get any information until after the facts of foreclosure.

And I think we ought to review this agricultural financing system and call for outside auditing. I do indeed appreciate the opportunity to speak before you, sir, and your committee. And I hope that you will come back to New York State more often.

I hope that you will bring back to the whole Congress our concern that our hungry be fed, and our family farms which are in many ways the bedrock of our democratic system, that they should be protected and preserved. Thank you.

[The prepared statement of Ms. Jacobs appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Ms. Cavanaugh.

STATEMENT OF DIANE CAVANAUGH, ON BEHALF OF ASSEMBLYWOMAN MARY McPHILLIPS, CHAIRWOMAN, SUBCOMMITTEE ON AGRICULTURAL MARKETING IN NEW YORK STATE

Ms. CAVANAUGH. Good morning, sir. My name is Diane Cavanaugh. I am here today to present testimony on behalf of Assemblywoman Mary McPhillips. The assemblywoman is chairwoman of the subcommittee on agricultural marketing in New York State. On behalf of the assemblywoman, I would like to thank the committee for holding these hearings today and for the opportunity to take part in them. My district lies approximately 60 miles north of New York City, and unlike many of the neighboring counties to the south and east of Orange County, Orange County remains an area where farming is a vital component of the local economy.

As you may have heard and also know, New York is an economically diversified State, and today at this hearing, we are gathered in New York City, which is one of our world's greatest financial centers. But just a short distance up to the north of here, great expanses of farmland and forest, which provide the raw materials which enable our State's agriculture industry to produce cash receipts totaling approximately $4 billion last year. The industry employs well over 1.6 million people directly, yet the status of New York State's agriculture industry has been challenged.

Today I am going to address the problems which increased levels of Canadian imports are posing for New York State farmers. Specifically, my discussion will address our State's fresh produce industry.

Canada and New York have much in common. Geographically, we share common borders and climates. Products which are grown in New York are generally just as easy to grow in Canada due to similar soils and climatic conditions. This produces a fierce competition between New York and Canada for a share of similar consumer markets. But a crucial difference is that the Canadian Government affords its farmers a generous price support system. Due to this, Canadian farmers are able to bring their goods over New York borders and sell them at prices below which our farmers can bear to provide buyers with.

Common sense would seem to dictate that given a choice of two goods of equal quality, the less expensive one is likely to be purchased. Illustrating this, onions are a major crop in my district and also in parts of Canada. Due to Canadian subsidies, Orange County onion farmers are severely affected by these Canadian products. They have been pushed out of markets which they have had control over in the past.

Onions are easily stored and shipped, requiring little special effort. The farmers crops are rotting away unsold, this is less costly for them to do than to invest the time, effort and funds needed to transport their goods to market only to find that the costs expended in production will not be recovered in sales.

Canadians enjoy easy entry into New York markets as border controls are not particularly restrictive. Canada, however, has developed and implemented a sophisticated fast track surtax mechanism. With this mechanism, Canadians at any given time may deny entry to New York State farmers. On any given day a U.S. farmer attempting to enter Canada to sell his goods may be denied entry by customs officials when Canada believes its farmers are being harmed by imports, this surtax is put into place.

The Canadian import problem, however, is a regional one and this may be illustrated by the following figures: In 1981 Canadian exports to the United States totaled $136 million, while U.S. exports to Canada were 10 times higher, totaling $1.2 billion for that year. This clearly indicates that the United States has a positive balance of trade with its Canadian neighbor. However, figures on trade between Canada and New York paint an entirely different picture. Between 1976 and 1980, the percentage of agricultural products imported from Canada to New York State were 55 percent for celery, 24 percent for carrots, and 4 percent for both onions and potatoes. Yet, Canada imported no New York agricultural goods for that same time period.

The situation is not likely to improve for the New York agriculture industry. Information gathered from the Ontario Ministry of Agriculture and Food indicated that in October 1984, Canada had launched its export gross strategy program, which would enable Canada to double its export sales potential. This program would provide, among other things, a detailed market survey study, provincewide export education programs, and the development of an export data base. The primary target of this ambitious program is the United States. But the United States is already Canada's fastest growing market. According to the Minister of Agriculture for Ontario, Mr. P. Timbrell, Canada's exports to the United States have increased 37 percent since 1980, making the United States Canada's fastest growing market. Nearly $1 billion of Ontario's yearly agricultural sales are exported to the United States.

The new export plan hopes to achieve a $3 billion market for the long run. Compounding this problem, the highly valued U.S. dollar has contributed to U.S. products drop in competitive foreign markets—Canada as well as elsewhere. Advanced technology and storage methods and crop production in other countries along with better, more efficient transportation, have put the United States at further disadvantage.

New York as well as the United States needs to become competitive in this industry again. Agricultural production and sales have long been the factors which have helped the United States maintain its positive balance of payments. Our increasing debt in this foreign trade accounting system provides a notable comment on the worsening condition of both our State and country's No. 1 industry, agriculture

There are things which can be done to combat the import problem. Congressman Ben Gilman has made attempts to alleviate this by introducing a bill which establishes a fast track surtax based on the Canadian model. Unfortunately, this legislation has met with little success. Members of the agriculture community may also seek relief from imports by filing a formal complaint with the International Trade Commission. The State of Maine has utilized this option only to find it prohibitive in cost and time, also they have met with little success.

State governments can do little to mitigate the problems of Canadian imports on their own. We require the assistance of the Federal Government. Our agricultural industry plays a preeminent role in preserving what has become a vital part of the American way of life and our rural economies depend on this industry for their survival. Thank you very much.

[The prepared statement of Ms. Cavanaugh appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much, and thank Assemblywoman McPhillips. The next panel will consist of Messrs. Charles Wille, Horace Smith, Jack Faoro, Stephen Gallagher, and Alex Cukan. Time has gotten away from us, so I would again ask your cooperation to summarize your statement. If you summarize, your prepared text will appear in the record in its entirety. We'll hear from Mr. Wille.

STATEMENT OF CHARLES WILLE, VICE PRESIDENT, NEW YORK FARM BUREAU

Mr. WILLE. My name is Charles Wille. I own and operate a dairy farm in Orange County New York. I will highlight my text and try to touch some of the points that I think are particularly significant.

I would say at the outset that I totally agree that we have a common area between the consumer and the farmer in the distribution system and these all must be taken into account as we look at farm bills and farm problems.

I would also like to say that I had the opportunity on behalf of the New York Farm Bureau to present testimony yesterday at a legislative marketing hearing, and I mentioned this in that we as an organization and as farmers are very interested in self-help through the marketing of our own products.

I will also state that our organization is very concerned about the Canadian imports, and I will not dwell on that issue other than to state that we have worked with the people that you heard from this morning, and we think that that requires immediate attention. And I would also say that our legal remedies I am told for some suits and those type of things, and they are expensive and extremely slow and we need some action soon [illegible] that.

Let me highlight my text this [illegible] you are aware that New York's largest industry [illegible] and that our 48,000 farms produce a $3 to $4 billion [illegible]ome.

Second, the largest component of New [illegible] agriculture is the dairy industry, with gross receipts of $1.5 billion. Though New York's 17 million citizens consume approximately the same amount of milk and dairy products that we produce, the Federal farm policy has a direct impact on the prices received by dairymen in this State.

The general well-being of American agriculture affects us all through increased exports and decreased trade deficits, and we must regain those export markets that we've lost. And the realignment of our national farm program is a major step in that direction.

As a dairy farmer, I experienced the tough economic conditions on a daily basis—they affect my pocketbook. And there are three items that I will note: That the high interest rates have had a severe impact on us as farmers—as dairy farmers; the strong American dollar has had a significant impact on our ability to compete in the world markets, and that would probably not affect our dairymen as much as it does the other commodities; and the national agricultural policy has worked hand in hand with the strong American dollar in discouraging the U.S. exports.

And I would state that I believe that perhaps our fiscal policy in this country needs to be addressed more importantly than our farm problem. I believe that if we get our fiscal policies in order, we will correct many of our farm problems, particularly in the export area, and the importing, and the value of the dollar.

We acknowledge that domestic dairy products could never compete in world markets, however, high Government support prices have been the primary factor for the tremendous imbalance between supply and demand for dairy products. And to make matters worse, these ineffective Federal farm programs cost the U.S. taxpayers $14 billion in 1984.

The 1985 farm bill comes at a time when the U.S. agricultural industry must make some major shifts in policy if it is to remain a viable industry. The fundamental concept of the Farm Bureau's farm bill, H.R. 1965, S. 908, is that supply and demand in the marketplace, rather than Government action, should ultimately determine the price and production levels of farm commodities.

Once again, U.S. agriculture would be market oriented and market responsive, and I think that would probably be my entire test. We need to return to a more market oriented and market responsive agriculture.

The goals of the Farm Bureau's farm bill would: Increase net farm income; provide long-term stability to the agriculture industry; and continue to provide a steady supply of excellent quality, low-cost food to U.S. consumers.

As we increase farm income, we have an impact on the entire American economy, and I hear here this morning, people who are not producers, but their livelihoods are affected, and this we believe is a significant item to consider in looking to maintain a viable farm income.

Long-term stability in U.S. agriculture goes hand in hand with improving net farm income. We need stability for farmers to plan ahead and realize that we are not living from year to year in violent fluctuations in the marketplace through political action.

Stability will only occur when the marketplace is allowed to send the proper economic signals of the true supply and demand. Farmers will then make business decisions accordingly.

The U.S. agriculture industry has always provided a steady supply of excellent quality, low-cost food to the American consumers. This is made possible primarily because of the existence of the free enterprise system.

Government farm programs that attempt to control production eliminate the incentives that have made this industry the most efficient in the world. Production controls may be effective in maintaining farm numbers and controlling surpluses, but their long-term effects on consumer prices are very negative.

I think the outstanding example of production controls that have made a commodity uncompetitive is in the tobacco industry. The Farm Bureau recognizes that a reasonable transition period is necessary for American agriculture to adjust to more market orientation. Provisions in the aforementioned bills allow an orderly transition to take place.

Farm Bureau's farm bill is a program where both farmers and consumers benefit. It is a positive step toward a more market oriented agriculture by maintaining a reasonable safety net under productive agriculture during this current period of economic difficulty. An agricultural industry that is competitive in the marketplace will inevitably be a healthy industry.

We encourage your support of the proposed legislation, and I thank you very much for this opportunity to present my comments and those of the New York Farm Bureau.

[The prepared statement of Mr. Wille appears at the conclusion of the hearing.]

The Chairman. Thank you very much, sir.

Mr. Horace Smith.

STATEMENT OF HORACE A. SMITH, ASSOCIATE FARM MANAGER, GRATZ & UTTER FARM

Mr. Smith. Mr. Chairman, we are most appreciative of the fact that you are holding some of your hearings in New York, and we are also appreciative of some of the help that you have given to some of our agricultural leaders who met in Washington struggling and trying to find a solution to the import problem that has plagued our Northeast agriculture.

My name is Horace Smith, and I am in the farm management aspect of a large family vegetable farm in Goshen, NY, in Orange County. We produce about 2,000 acres of onions, lettuce, celery, and radishes annually.

Most of the agriculture as we see it in New York State is saddled with the foreign trade policy by the present administration that generally permits unlimited access to our domestic markets by foreign products without serious interest or concern as to the extent of subsidies represented in these products.

At the same time, U.S. products are severely limited to their access to foreign markets due to tariff and other regulatory restrictions. Agricultural products of the northeastern United States are without significant subsidy payments while we struggle to compete with highly subsidized foreign imports that have devastated our domestic market prices during the past several years.

Heavily subsidized imports of farm commodities that are seriously depressing the northeastern U.S. farm prices for the past several years include fresh fruits and vegetables, potatoes, eggs, dairy products, maple syrup, mushrooms, cut flowers, and wines, to name a few. Factors which depress the farm price in one section have a ripple effect that is felt throughout the United States.

Agriculture is the largest industry in the United States and in the Northeast. It has a ripple effect throughout our economy of seven to eight times the actual cash value of production through additional agribusiness and services that effect the production, distribution and marketing of food.

Our greatest economic injury in New York to fresh vegetable and potato producers result from Canadian subsidized produce entering our domestic markets. Statistics demonstrate the rapid increase of these Canadian products since 1977 and the penetration of our markets. Continued expanded use of our domestic markets is planned for by published Canadian documented policy statements and recent years' history.

Of course, most of the Canadian production of their vegetables and potatoes occur in the eastern provinces which are adjacent to our market areas also.

The present tariff in effect on these vegetables is essentially ineffective or nonexistent. The present remedy procedure for U.S. industry to deal with the situation is archaic, very expensive, and ineffective since ultimate petition evaluation will reflect the present administration's policy of free trade.

Free trade appears to translate into a policy whereby foreign imports of highly subsidized products are freely allowed into our markets and readily provide an outlet for a foreign country's surplus production to remove its depressing effect from the foreign country's economy.

Such free trade is not reciprocal, however, because foreign countries skillfully utilize regulations as well as tariffs to limit imports that might depress their farm economies.

Some subsidy programs are less obvious than others. Canadian producers can be offered deficiency payments by the government when the sale price of produce averages drop below certain levels. This sort of umbrella like production reduces the risk of the depressing market price effect of overproduction, and could encourage overplanting with producers aware that the normal price depressing effects will be minimized by the possibility of deficiency payments. Thus, surplus production will find its way into our northeastern markets with result in depressing farm prices being created.

Our problem of excessive subsidized imports is not a problem due to farms paying exorborent wage rates since we are largely a minimum wage rate industry. Many of the jobs we create are filled with people who are without a marketable skill for other types of employment.

Vegetable growers representing areas across the country worked with Congressman Gilman to develop H.R. 3193 to control the economic injury to producers of specific commodities when import volume showed significant increase and market prices were falling as demonstrated by USDA monitorings. This bill would utilize a fast track trigger mechanism.

Senator D'Amato introduced a companion bill in the Senate. These bills would have provided meaningful protection for U.S. producers of certain agricultural commodities from threat of economic injury due to increased volume of imports.

We are an industry that, more often than not, find that our Federal bureaucracy is in an adversary position in hindering our efforts to survive. This is in stark contrast to the positions of central governments in Japan, Canada, France, The Netherlands, to name a few, that function more as a partner to their producers.

If our Northeastern U.S. agriculture is to survive we must have legislation which will require the administration to effectively limit economic injury that highly subsidized imports can inflict upon U.S. agriculture.

Since Northeastern U.S. vegetable and potato producers have less than 10 percent of the subsidies enjoyed by Canadian farmers, it would realistically seem that we must eliminate the import products pricing advantage due to subsidies upon entering our U.S. markets.

Administration opposition to effective action against economic injury, due to imports, takes the position that the strong dollar is responsible and prefers to ignore the major role of extensive subsidies in the imports. Our agricultural attaches in foreign countries have access to the documentation of subsidies offered to the producers.

Our farm bill should include provisions that will require our Government to reasonably calculate the value of subsidy represented in an import product and add this amount to the tariff if such is already in place. This will reduce the ability of imported products to sell in our markets at below our cost of production and marketing.

The creation of a task force to study Canadian subsidies and restrictive regulations to trade in onions, lettuce, celery and radishes, should be a part of the farm bill. This study should concentrate on the season of the year when New York and the Northeast area are marketing these commodities.

Mr. Chairman, I thank you for this opportunity to appear here today.

[The prepared statement of Mr. Smith appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Jack Faoro.

STATEMENT OF JACK FAORO, COMMERCIAL BEEKEEPER, ORANGE COUNTY, NY

Mr. FAORO. Thank you, Mr. Chairman, I would like to extend my gratitude for speaking here today. I will be very brief.

I am Jack Faoro, a commercial beekeeper in Orange County, NY. I market all my honey through farm markets in Manhattan run by Green Market.

As a member of the Empire State Honey Producers Association, I have seen firsthand what can happen when a price support program, such as what we now have in operation, can do. Many beekeepers are now exceeding their average production because of guaranteed price supports while imported honey is flooding the market at 15 to 20 cents per pound cheaper.

Some are even selling imported honey to the Federal Government and reaping a profit at that. I call for a reduction to a complete drop in the Federal price support program for honey, which now holds close to 100 million pounds of American honey, while imports exceed 128 million pounds.

And I also call for a raise of imported taxes on all the honey which is imported, the leaders of which are Canada, Mexico, and China.

May I close with saying that all pollination on close to 96 fruits and vegetables will stop when local beekeepers will not be able to stay in business without marketing their sole product that brings all if not the majority of their yearly income, farming will never be the same. Thank you, sir.

The CHAIRMAN. Thank you very much, sir.

Mr. Gallagher.

STATEMENT OF STEPHEN GALLAGHER, BRONX FRONTIER DEVELOPMENT CORP.

Mr. GALLAGHER. Thank you, Mr. Chairman. I'd like to thank you and the committee for this opportunity to speak before you. I am with Bronx Frontier Development Corp. and also with the Riverside Church Food and Justice Task Force.

I am followed by a number of people who will be able to very ably talk about the value and importance of local small-scale food production, and also by people who will be able to talk about the importance of considering consumers of all incomes, including low incomes, in creating a farm policy, so I will not spend time talking about those issues.

I would like to speak just very briefly about the historical direction of American agriculture at this moment, and endorse and introduce into the record, if I may, a copy of the Farm Policy Reform Act of 1985. I am not sure if that has been introduced yet or not, but I will submit it along with a written copy of testimony.

I would like to take just a moment to point out that at this moment American agriculture faces a severe crisis which goes far beyond the particular details being discussed by gentlemen such as Mr. Smith or anyone else, the farmer in a particular area.

This is the crisis of overproduction and environmental degradation. The speaker following me will speak at length about the need for soil conservation. I would just like to point to the fact that all resources—the water which is now in drought state in New York State, but is perennially scarce in the far west in the area in which the Federal Government subsidized water irrigation policy has made the major productive area for the United States, that this is going to become a very severe problem for us in the future. We are becoming reliant upon drought areas to produce our main crops.

We are seeing in California at the current time problems of salinization of the land due to improper irrigation techniques that go hand in hand with Government support for export production. I think that we should note that the excessive amount of exports being produced by the United States is indeed a problem. It is driving down the price of all our goods particularly grains. And this has severe effects on all farmers.

The desire of the Federal Government, as expressed by Secretary of Agriculture John Block, to use food as a weapon is leading to very severe problems for America's farmers. They are being forced through the mechanism of cheap grain and high prices for the imports which they are forced to use on their large spreads, spreads which exceed the highest level of productive efficiency as determined by a 1980 Department of Agriculture study that these farmers are being forced to degrade their land in order to produce enough to satisfy the people who hold the mortgages—the large banks and the insurance companies in the Midwest.

It is necessary for the Nation at this time, the crucial turning point in 1985, to take stock of the future, to begin to preserve its heritage as a great agricultural nation, and to see to it that the land is cultivated in a sustainable manner. That we do not poison the land as we produce—that we do not poison our people through what we produce.

Certainly things such as the EDB scare that was widely heard about a few years ago where processing companies used poisonous chemicals, and that they then got through the food chain. Things like this cannot be allowed to continue if we are going to have a healthy, productive society.

In particular, for the Northeast it is important to note that Federal policy continues to subsidize agriculture from California, Texas, Florida, and to penalize local producers. This is done through the irrigation subsidies, but also through general subsidizing of fuel costs, transportation, and neglect of marketing in the region.

We are very fortunate in New York State to have an aggressive commissioner of agriculture who is working very closely with people in urban areas to develop farm to consumer links. It is clear that this has been proven to be the necessary means by which small farmers, regional farmers, will be able to continue to produce —to continue to use productively the land, and to continue to take care of the land by earning a larger percentage of the final price of the crop.

That is without a middleman, with farmers producing and then selling directly to the consumers with the assistance of State and Federal marketing agencies. It will be possible without price controls for farmers to earn the price necessary for them to produce in an environmentally safe way.

What we are looking at is the need to develop a farm policy that will provide and produce a sustainable agricultural system. Right now, we are washing away and poisoning our land, and it can't continue. Thank you.

[The attachment follows:]

The Farm Policy Reform Act of 1985

Fiscally Conservative, Long Term, Targeted at Family Farms

In a series of farm forums held throughout the country in 1984 and in hundreds of private meetings held during the past two years, farm groups and individuals expressed broad support for a new commonsense program to help efficient farmers bring their surplus production back into some reasonable balance with demand so they can get a fair price in the marketplace, rather than constantly overproducing and having to take survival payments from taxpayers.

In response, a cross section of family farmers, consumers, agriculture lenders, environmentalists, taxpayers and elected officials have developed the "Farm Policy Reform Act of 1985."

The major features of the proposal are:

1. Fair Prices in the Marketplace Producers would receive a fair price for their crops in the marketplace, not from the government. Costly subsidy payments would be eliminated, and the price floor (the price-support loan rate) for each commodity would be set at a level approximating the full cost of production for that product.

As of last November, for reference, the program formula would have set the price floors for eight major storable commodities at these levels:

Corn	$ 3.71/bu.
Wheat	$ 5.21/bu.
Grain Sorghum	$ 6.29/cwt.
Soybeans	$ 9.10/bu.

In each subsequent year of the program, the price floors would be gradually raised until, in the eleventh year of the program, they reach the level at which farmers' returns on equity and labor are on a par with the rest of our economy.

2. Balancing production with need. Mandatory production controls (subject to a producer referendum) would limit U.S. production of storable commodities to actual demand, including domestic consumption, export demand, humanitarian need and strategic reserve requirements.

3. Targeted benefits to family farmers. Each producer would have a single acreage base comprised of any acres on which any of the designated commodites were grown in any of the last four years. Each producer would be required to set aside 15% of this acreage base, but in times of surplus, giant operators would be required to set aside a progressively higher percentage of their base (a disincentive to conglomerate and tax-loss ventures).

4. Promotion of sound conservation practices. Locally-approved conservation practices would be required on all set-aside land. In addition, farmers could participate in a National Conservation Reserve, allowing for the voluntary, long-term retirement of fragile land. The Act would also contain prohibitions against "sod-busting" and provisions to encourage better protection of scarce groundwater resources.

5. Crop Disaster Reserve The current myriad of programs would be consolidated into one simplified approach that offers income protection to producers and protects both consumers and livestock producers from shortage-induced price increases. Each producer would annually contribute a portion (probably 3-4%) of production as an "insurance premium" into a national Farmers' Disaster Reserve (FDR). In the event of a disaster, a producer would receive commodities from the FDR to compensate for up to 90% of the loss.

DAIRY PROGRAM

A Groundswell Dairy committee is working on developing a program based on the following principles:

1). **One National Milk Marketing Order**
This will replace the current hodgepodge of programs

2). **Supply Management Program**
A national referendum will be held to endorse this Program.

- a). Each farmer will receive a base set at their highest production in the last four years.
- b). If production must be reduced to balance supply and demand, the reductions will be progressively "tiered" to assure that the very largest producers are required to make the most significant reductions.
- c). Production bases stay with the farmer and cannot be rented, leased, or sold. County ASCS committees will allocate unused or extra base according to priorities that will allow for transferring base to new owners or within families, to existing farmers who need to expand production, and to beginning farmers.
- d). Non-farm corporations or investors may not receive new base.

3). **Prices Raised to 70% of Parity**

Dairy prices will be set at the same level as feed grain prices. They will increase at the 2% annual rate until we reach a proper economic balance between agriculture and the rest of the economy.

6. Increased funding for humanitarian food aid. The USDA would be directed to enter into multilateral agreements with other food-exporting nations to fulfill food aid requirements to needy countries. These multilateral agreements should also mandate that additional emphasis be placed on helping needy nations develop food self-sufficiency to the degree possible, with each exporting nation allocating an amount of cash or other resources consistent with their level of food aid.

7. Increased promotion of export markets. Market development would include increases in export credits, negotiation of more multi-year export contracts, and a "monetary adjustment program" allowing foreign buyers to receive, when available, surplus commodities from government stocks to offset the negative impact of the overvalued dollar.

8. Strong support for domestic food assistance. The program would address the right of every American to a nutritious diet and, through the Food Stamp program, the Women, Infants and Children program, and other elderly and child nutrition programs, would provide adequate assistance to eligible needy families and individuals.

9. Farm credit and debt restructuring. Congress should immediately enact a temporary moratorium on farm foreclosures until the Act takes effect, at which time any foreclosed borrowers would be offered first right of refusal to repurchase any of their land or equipment not yet disposed of. The Act would contain provisions to allow deferral of principal payments for one to five years if the borrowers can project an adequate cash flow by the end of the deferral period to resume payments on the principal.

In addition, the higher price support levels and the FDR crop insurance program in the Act should greatly increase lenders' willingness to make operating loans to farmers and should halt the decline in the value of most farmland.

The CHAIRMAN. Thank you, sir. It shows here Mr. Alex Cukan for the Sierra Club, but I see a lady here.

STATEMENT OF CAROL WEIR, ATLANTIC CHAPTER, SIERRA CLUB

Ms. WEIR. Yes; Alex Cukan could not be here today, Mr. Chairman, so I am sitting in for him.

My name is Carol Weir, and I represent the 24,000 members of the Atlantic chapter, which is comprised of Sierra Club members living in New York State. As environmentalists we feel that soil conservation is one of the most critical environmental issues today, and we have made soil conservation one of our chapter's priorities. We appreciate the opportunity of participating in the Agriculture Committee hearings held in New York State.

While the environmental problems of toxic waste and acid rain have received the lion's share of publicity in this State, soil erosion is a much more subtle environmental problem, but just as critical. We do not see the deep gullies etched in farm fields, which graphically illustrated the problems of the dust bowl in the 1930's, but that doesn't mean that soil erosion is not costing us dearly. Erosion cost U.S. farmers at least $625 million a year in reduced yields, extra fertilizer, and soil conservation measures. Off-site damage caused by fertilizer, pesticides, and soil sediment runoff amounts to $2 to $6 billion each year.

Soil, in addition to being one of our most precious natural resources, is one of our major sources of wealth in this country, and particularly in this State. The U.S. Department of Agriculture estimates that soil is eroding at more than twice the official tolerance rates on 96 million acres, 23 percent of the Nation's croplands, an area the size of California. In 1982, New York State lost 9.4 million tons of cropland, or the eroding of 665,000 acres.

The long-term investment this country has in its soil should not be depleted for short-term profit. While the soil conservation measures taken after the creation of the Soil Conservation Service in 1935 were successful in reducing soil erosion, many of the practices that caused the dust bowl in the 1930's are again being used. Planting fence row to fence row, row crops, bulldozed terraces, and trees, abandoned crop rotation, and farming marginal land are again the norm. The result has been increased grain production, higher exports, and a temporary rise in farm income. This all-out production policy has resulted in great increases in soil erosion and high soil sediment and pesticide runoff. The crop-export boom was short lived and today farmers are experiencing similar economic problems as during the Great Depression.

Mr. Chairman, the Atlantic chapter of the Sierra Club urgest this committee to include several soil protections that would reduce soil erosion by at least 20 percent in the provisions of the 1985 farm bill. This bill will be of importance to New York State because the incentive is high for farmers to cut down woods to create more fields for corn, wheat, and oats, and to drain wetlands as well.

Costs for soil conservation seldom return a profit in less than 5 to 11 years. Soil conservation is often treated as the person with the leaky roof. When it's not raining there is no need to fix the roof, and when it is raining it can't be done. When times are good, the farmers work for a maximum crop production, and when times are not good the farmers cannot afford to use conservation techniques.

With the present commodity programs sodbusting of highly erodible lands is subsidized by the U.S. Department of Agriculture. These programs discourage certain soil saving crop rotations as well. The Atlantic chapter of the Sierra Club supports ending Federal support for the sodbusting including price supports, loans, and insurance to farmers who cultivate the highly erodible land since 1981, and strengthening the sodbuster penalty by requiring that those who plow highly erodible land should be ineligible for all farm program benefits for their entire operation for 5 years.

It is also necessary that farmers who participate in Federal programs and utilize conservation measures not be penalized because of voluntary set asides. In the same vein, those who use Federal programs should have to reduce erosion of their soil.

The Atlantic chapter also supports converting highly erodible croplands for sustainable uses. A 30-million-acre conservation reserve should be created to encourage farmers to convert highly erodible croplands for less erodible uses.

A 30-million-acre conservation reserve would be cheaper than current soil conservation programs. Last year, New York spent one-half million dollars on soil conservation.

Wetlands, so critical for the preservation of wildlife are being eliminated at an alarming rate. Farmers who drain or fill in wetlands into croplands should be ineligible for participation in all Federal farm programs. Government subsidies of filling in wetlands should be stopped. The Office of Technology Assessment estimated that 4 out of 5 acres of wetlands lost in the 10 years were destroyed by agricultural production.

Lake Erie and Lake Ontario are the single most important economic resource for the western portion of New York State; 15 years after having Lake Erie declared a dead lake, the State is again enjoying the benefits of a clean Lake Erie. However, if something is not done to reduce soil erosion which carries phosphorus, which was the main reason for the eutrophication of the lake, the lake will again be threatened. From 1970 to 1980, point source loading of phosphorus declined from 11,900 per year to 4,500 metric tons mainly as a result of $4 billion Federal investment in wastewater treatment plants. But in a 6-year period in the 1970's, loading of phosphorus from soil sediment run-off caused by a lack of soil conservation, 5,700 to 11,900 metric tons per year was measured.

The Sierra Club believes the implementation of these policies is an important readily achievable step toward wiser use of America's valuable cropland, and we applaud the efforts of those here today who are working to include strong soil conservation provisions in the 1985 farm bill. Again, we appreciate the opportunity to testify today.

[The prepared statement of Ms. Weir appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Tom Fox, Gary Waldron, and Jane Weissman. We will hear from you at this time, Mr. Fox.

STATEMENT OF TOM FOX, EXECUTIVE DIRECTOR, NEW YORK CITY NEIGHBORHOOD OPEN SPACE COALITION

Mr. Fox. Good morning, I am Tom Fox, the executive director of the New York City Neighborhood Open Space Coalition. The Coalition consists of 93 organizations in New York City that are dedicated to community participation in the care of gardens and parks in New York, I am appearing here to express our concern that future U.S. food and farming policies give sufficient support to issues that are of critical importance to New York City, our local region, and cities across the United States.

Contrary to common belief, city people grow food. They are producers as well as consumers of agricultural products. In New York City alone, there are 460 community gardens, tended by over 11,500 people on 159 acres of New York. There are tens of thousands of backyard gardens as well. A recent Gallup poll showed that across the United States there are 1.5 million households involved in community gardening, and another 12 million households said they would garden if community gardens were available for them to work on near their home.

The Cooperative Extension Service has done an exemplary job with the development of an urban gardening program that was recently expanded to include 21 cities in the United States. The program, begun with a pilot program here in Brooklyn in 1976, has proven to be an important resource for the cities involved. It is providing many low-income communities with quality food, yet 9 years after its inception it is still a pilot program. Every year we have to scramble for sufficient funding to keep the program going. We feel this program should be integrated into regular Department of Agriculture budget allocations.

Another suggestion we would like to make to this committee is to expand the gardening program. Why are there only 21 cities involved? As the vice president of the American Community Gardening Association, I am aware of current programs in over 85 cities in the country. I would like to suggest that the country is experiencing a food crisis that is sapping the strength of our population, especially the young in a lot of low-income areas. In World War I, the Depression, and World War II, the Federal Government encouraged the development of millions of gardens to provide fresh local produce for people. In England, there are now 51,000 acres of allotment gardens set aside for food production, especially by pensioners who have limited incomes. If England, which is smaller than the State of Texas, can have that many gardens in production, you know we are missing a tremendous opportunity to help urban residents grow their own food. There are over 3,000 acres of vacant land in New York City alone.

Additional support for urban agriculture should include the provision of technical services to more cities. For example, there should be an effort to provide Soil and Water Conservation District designation to more urban areas. New York City contains the only five counties in the entire State of New York that are not receiving the services of the Soil Conservation Service.

Urban forestry is another growing field which deserves a lot of Department of Agriculture attention. Trees in the city reduce air and noise pollution, moderate temperatures, buffer changes in humidity, break up wind patterns, absorb storm water, and curb erosion. In New York City alone we have 2.6 million trees. The standing forest has a tremendous economic, environmental, and social impact, and a well maintained and harvested urban forest could have potential economic benefits as well. In Greenwich Village, a full cord of wood costs $325.

There are other urban agricultural economic development opportunities that should be investigated. The nursery industry abandoned our city in the 1950's and 1960's as land values rose and transportation to the urban fringe became more accessible. An increased investment in urban forestry could stimulate the return of the nursery industry to the cities. Two coalition members are currently involved in economic development ventures as well. Organic waste is being recycled on a five-acre site in the South Bronx creating Zoo Doo—the product of refined Bronx Zoo animals. And GLIE farms, which you will hear about shortly, has just finished construction of a $1.2 million 16,000 square foot greenhouse, and it is marketing fresh herbs and spices to many gourmet restaurants here in New York. In Cheyenne, WY, they are now constructing a $350,000 community solar greenhouse in a downtown park for both horticultural therapy and urban food production. Land grant colleges should be charged with developing research agendas for the enhancement of urban agricultural production.

Nowhere else is the interdependency of urban and rural populations evidenced more clearly than in the program of Greenmarkets here in New York. Direct marketing is essential to the health of our regional agricultural, our family farms, and our urban consumers. By strengthening and expanding direct marketing systems, the Federal Government will be doing a tremendous service in moving toward regional food self-sufficiency. The New York State Department of Agriculture and Markets has done an outstanding job in direct marketing, working closely with local organizations such as Greenmarket. The coalition strongly supports our State's agriculture industry, especially family farms and the constantly expanding organic farm movement. We would like to urge USDA to join with the State and private groups in coordinated efforts to increase support for the regional farm systems.

The Northeast is leading the country in positive examples of preserving farmland by purchasing development rights. Massachusetts and Rhode Island have very successful programs, and New Jersey has just passed legislation to protect its dwindling agricultural resources. The Federal Government must support and encourage such efforts if we are to protect our country's agricultural resources. One way to do this is to investigate pending legislation that would exempt farmers from paying capital gains tax on the sale of development rights to the States. This committee should also support the liberalization of conservation easement legislation to ensure that the inclusion of farm and agricultural easements are tax deductible donations.

Organic farming has long been maligned by the U.S. agribusiness interests. We are now reaping the benefits of an energy intensive agricultural system that has changed the face of farming in America since World War II. Polluted ground water, chemical residues in food products, devastated wildlife, tremendous erosion, and prohibitively expensive monocultural practices are undermining our ability to feed ourselves well, let alone feed a large part of the free world. The Federal Government must invest heavily in organic agricultural research and education. It is becoming an issue of national defense. We can no longer continue to poison our groundwater, our wildlife, and our children with fertilizers and pesticide residues. We must begin the transition to a more organic agricultural system. It is a matter of necessity, not choice.

In the last 15 years there has been a great increase in urban agricultural production in this country. Unfortunately it has been accompanied by an increase in urban poverty. If State, city, and community efforts are supported by the Federal Government, we have a real opportunity to increase the health of our urban agricultural industry and our local population.

I would like to thank the committee members for coming to New York City and for listening to the concerns of urban residents. We hope that you will seriously consider some of the issues that we raised today. The coalition and its members stand ready to assist you in any way we can in the future. Thank you.

[The prepared statement of Mr. Fox appears at the conclusion of the hearing.]

The Chairman. Thank you very much; we appreciate it.

Mr. Waldron.

STATEMENT OF GARY WALDRON, PRESIDENT, GLIE FARMS

Mr. Waldron. I would like to thank you for coming to New York City also. My name is Gary Waldron, and I am the president of GLIE Farms, which is a high-technology agricultural business located in the South Bronx in New York City. So, I may qualify as one of the few farmers here in New York.

As you know, the South Bronx has been one of the symbols of both disinvestment and deterioration that has marked many of our urban centers throughout the United States, and we at GLIE Farms have sought to take both this area and, utilizing a significantly advanced state-of-the-art form of agriculture, generate both high quality food products and stimulate both new employment and tap into the New York City marketplace.

In our fourth year of existence, we have created almost 40 local jobs, service almost 300 restaurants in the New York City area, and have one of the most advanced greenhouse facilities in the United States.

Incidentally, that facility is not an American technology, which is one of the important points I would like to make. And all of that has happened in a section of New York where Presidential candidates used to like to come and tell everybody what they were going to do. I think we can point to an accomplishment that exists there today without a great deal of U.S. agricultural policy support.

This is a good story, but it doesn't have any point unless it is tied in some way to agricultural policy in the United States. If I can tie these two together, there are two areas that I think after having 4 years of hands-on experience in this kind of an environment, that I think make sense.

The first is that some currently existing operations within USDA that are being threatened by the budget knife should be carefully evaluated, and they would include the Agricultural Marketing Service, the market facilities branch, and the Federal and State market improvement program.

It should be clear from those areas, that I obviously have a real interest in the marketplace and that the focus of many small farms—and certainly our farm, which is an urban farm—is on the marketplace and our success is tied into the marketplace.

Second, and equally important, the technology which we use in New York City should be evaluated in terms of its application throughout the United States. Contrary to the drive to produce many goods and foodstuffs in lower-cost countries, can we begin to creatively use technology in our already existing marketplace to stimulate employment and to recapture markets that are being lost to lower-cost producing countries?

It seems to me that any policy that doesn't address the marketplace or the future technological directions of agriculture misses both the point and the opportunity. Thank you.

The CHAIRMAN. Thank you very much, sir.

Ms. Weissman.

STATEMENT OF JANE WEISSMAN, DIRECTOR, OPERATION GREENTHUMB, DEPARTMENT OF GENERAL SERVICES, NEW YORK

Ms. WEISSMAN. Good morning, Mr. Chairman, my name is Jane Weissman, and I am director of Operation GreenThumb.

Operation GreenThumb is New York City's community gardening program sponsored by the department of general services. GreenThumb leases city-owned vacant property to nonprofit organizations so that they can establish vegetable and flower gardens. These gardens often incorporate play areas for children and sitting areas for adults.

GreenThumb began in 1978 with no budget and one part-time staff person as a response to the growing number of community groups asking permission to garden city-owned property. Today, funded by Federal community development block grants, it is the largest municipally run community gardening program in the United States.

GreenThumb currently leases nearly 1,150 different lots equaling approximately 110 acres to over 625 community groups and 39 of New York's 59 community planning boards. In addition, GreenThumb's land reclamation project has seeded with grasses and wildflowers over 330 acres of large tracts of city-owned land in commercial and industrial areas since its beginning in 1982.

GreenThumb works with garden sponsors by training them in garden design and horticultural techniques. The groups attend a series of construction and planting workshops after which they are issued materials to build fences, tools, lumber to build raised beds for growing vegetables, and picnic tables and benches, soil, seeds, bulbs, and shrubs.

Last year GreenThumb distributed enough materials to provide gardens with 100 200-foot fences, 1,200 raised beds, 100 picnic tables and 300 benches. Enough soil was purchased to supply 60 gardens with 25 cubic yards of soil. Plant deliveries of up to 10 trees and 14 shrubs were made to 56 groups.

GreenThumb gardeners are urban farmers. A good many are originally from farming communities down South and the islands, and their gardens provide an opportunity to work the land again. For others, their gardens are their first agricultural experience, an introduction to America's historical roots. It is very exciting to watch children wonder at the germination of a seed, and the transformation of a flower into fruit. And in their delight when they harvest and take that first delicious bite of what they have grown themselves. Living in a world of concrete and glass, we must work hard to maintain our contact with the Earth.

GreenThumb community gardens, as all community gardens in cities across the country, are a source of fresh, nutritious food. As most gardens are located in inner-city neighborhoods, if residents cannot grow their own, they often go without. Over 6,000 families farmed GreenThumb gardens raising lettuce, peas, beans, collards, and peppers in 4- by 8-foot raised beds. Many others share the bounty, for surplus food is often distributed to the elderly and sick. If there is a bumper crop, the garden is thrown open for a community harvest. GreenThumb, in conjunction with the Horticultural Society of New York, gives workshops on home canning and freezing, and last year one Brooklyn family put up 370 quarts of pickles, sauce, and vegetables from its GreenThumb garden.

GreenThumb's new Orchard Program also contributes to neighborhood nutrition as well as providing spring flowers and summer shade. Last year, over 350 fruit trees, apples, peach, pear, cherry, and plum, as well as grapevines and berries, were planted in 20 gardens. Recent inspection of these orchards reveal that skinny 4-foot saplings have grown into 8-foot trees dotted with tiny, fuzzy fruit. There are grapes on the vine and berries on the bush, and within the past month, 210 additional trees have been planted in 12 new orchards.

Every August, GreenThumb gardeners bring their best tomatoes, cabbages, and eggplants to the City Gardeners Harvest Fair, held at Gateway National Recreation Area and jointly sponsored by GreenThumb, Gateway, Cornell Cooperative Extension Service, and the New York State Department of Agriculture and Markets. Amid music, dancing, crafts, and farm exhibits, this late summer bounty is judged in 26 categories.

GreenThumb gardens do more than improve the diet and health of New York City residents. They do much to improve the health and stability of New York City neighborhoods. Most of the time garden sites are neighborhood eyesores, dumping grounds for mattresses, bed springs, tires, abandoned cars. You name it, its been there. Getting a GreenThumb lease, building a fence, and planting a garden, prevents further dumping and eliminates vermin in addition to beautifying the neighborhood. GreenThumb gardens become prime gathering places in the community. While individual members of sponsoring groups work their own garden plots, the garden is open for the entire community for meetings, celebrations, exchanging local news, catching a cool summer breeze.

Who are GreenThumb gardeners? They are block associations, churches, community centers, schools, hospitals, drug rehab centers, and senior citizen groups. Although GreenThumb provides technical and material assistance, planting the garden and its day-to-day maintenance are the responsibility of the group. Developing a garden develops leadership skills and, in many cases, a garden's success and the increased understanding of the municipal process leads GreenThumb gardeners to address other problems such as housing and public transportation.

All agricultural programs, whether country or urban, need Federal encouragement and financial support. While most of our Nation's farmers work long and hard to feed the rest of us, New York City's farmers are harvesting more than tomatoes and cabbages, they are sowing the seeds of self-respect and reaping the rewards of a wider and more effective participation in local community life. Thank you.

The **CHAIRMAN**. Thank you very much.

And we thank all of you for being here.

Mr. Fox. Mr. Chairman, I almost forgot—I brought the committee a gift of urban agricultural products that you can take back to Washington called Zoo Doo.

The **CHAIRMAN**. Mr. Fox, what did you bring?

Mr. Fox. A bag of urban agricultural product, Zoo Doo, which is being produced in the South Bronx and a number of other cities are getting involved in recycling waste from zoos, et cetera.

The **CHAIRMAN**. Thank you very much. I guess it won't embarrass you to say that you are too young to remember but the gardens you mentioned during World War II were called Victory Gardens.

Mr. Fox. Yes, well, we could have a victory over poverty if we get a whole bunch of them going again.

The **CHAIRMAN**. Thank you very much. I am glad to have all of you here. Agnes Molnar, Jim Bergin, and Pete Hotaling. We will hear from you at this time, Ms. Molnar.

STATEMENT OF AGNES MOLNAR, NUTRITIONIST AND FOOD ADVOCATE, COMMUNITY FOOD RESOURCE CENTER, INC.

Ms. **MOLNAR**. Thank you. Good afternoon, Mr. Chairman, I am Agnes Molnar. I am a nutritionist and a food advocate, and I work for a nonprofit, privately funded organization whose goal is to see that all low income New York City residents have access to affordable quality food.

I'd like to welcome you to New York City. I am sorry that you are alone. We have everything in New York City, and we have more of everything. We have more poor people, we have more hungry people, more homeless people, and in general, we have more problems than our city government can handle.

We know that there is a debate going on at the Federal level about whether there is hunger in America and about its magnitude. Anyone who wants to close his eyes and say there is no hunger will do so, no matter what we say or do. We can't try to convince these people. But you are here today because you want to listen and learn, and I will try to give you a picture of the magnitude of hunger in New York City.

The most recent count of our city's population is 7 million people. According to the Census Bureau, the number of people whose income puts them at poverty or below in our city comes to 1,700,000 or almost 25 percent of our total population. Over 600,000 of these are children. Poverty means $10,200 gross annual income or less for a family of four—that is the Federal poverty level. And in New York City, that is poor indeed.

Families must pay their rent and they must pay their utility bills, they have no options there so they scrimp on their food budgets. We see these families when they come because they have no food at home, no money—and they come to emergency food pantries or soup kitchens for a meal or for a few items of food for them to take home.

In New York City, there are now 75,000 food packages every month given out to families at food pantries. There are 250,000 meals every month given out to individuals, many of them children, at our soup kitchens. To keep up this level of service, the emergency food providers, most of which are churches and grass root community groups, will need well over $20 million this year.

Where does this money come from? In the past a lot of it has come from donations, individual contributions of food and money, volunteer services, foundations and a very small percent from government funds—about 10 percent from Federal, State and city funds. We ask how long can this continue?

All of these are only numbers. To translate numbers into something more meaningful, which is always difficult to do, I suggest that you keep your eyes open as you walk or drive around this city. Tonight, visit the Grace & Hope Mission at 114 Third Avenue as they feed hungry and homeless individuals. Or drop in at the First Moravian Church at Lexington Avenue, open 7 days a week, because they never close their doors to the hungry. Then go to Holy Apostle Soup Kitchen on 9th Avenue and 28th Street any weekday between 11 a.m. and 1 p.m. as they feed lunch to 700 people every day. But don't forget to stop at our infamous Martinique Hotel at Broadway and 32nd Street, where families—mothers and children live in deplorable conditions because there is no decent, affordable housing in this entire city for them. Go to the 12th floor of that hotel where a mother lives with her 9 children in three tiny rooms with six mattresses for furniture, no kitchen, no refrigerator allowed, no cooking, not even a table to eat on. This family has lived there for 2 years. The city pays $3,500 every month to the owners of that hotel for space.

Well, there is not much that you can do for these people. But your committee can continue to give support to the Temporary Emergency Food Assistance Program that has provided $50 million for storage and distribution of Government commodities. The 250 emergency food providers in New York City depend on these commodities to help them meet the thousands of requests they get for food every week. They can't meet those requests without support for transportation and storage. Without trucks, vans, and a storage room, commodities cannot get to the people who need them.

Yesterday's New York Times had a story about the thousands of tons of grain that have rotted in an Ethiopian port because there is no transportation to get the grain to the people, and there was no warehouse to protect it from the rain. That is not a problem unique to Ethiopia, and neither is hunger.

The commodities programs under the Agriculture Department are very complicated. But let me say that the use of commodities in the Federal food programs that get to the poor—in school lunch, in child care food, in summer meals, and in the Commodity Supplemental Food Program, are absolutely vital to those programs, and to the people that they serve.

You may not be familiar with the Commodity Supplemental Food Program because it is not under the Agriculture Department, it is under the House, Education and Labor Committee. But that program gives monthly packages of nutritious food items to low-income pregnant women, infants and children, who are at nutritional and medical risk. It is very similar to the WIC Program, but instead of giving vouchers that are redeemed at retail stores, this program gives the food to the families under the Department of Agriculture's Commodities Program.

New York State has never participated in this Commodities Supplemental Food Program, and our own organization—my organization, the Community Food Resource Center—was instrumental in working with the State Department of Health to apply to the Federal Government to operate the program. USDA turned New York State down on the pretext that there was no money for expansion. I mention that because it is surprising because the program has $13 million it carried over from last year's unexpended 1984 appropriations, and every year the program has unexpended funds. We ask your support for our request, and an inquity into why USDA claims it has no funds.

When we deal with low-income people in New York City we can't help but talk about the Food Stamp Program. It would take too long to describe all of the problems with this program, so I only want to address the issue of how inadequate the food stamp allotments are, which has been mentioned previously. But in New York City, our prices in the retail stores are higher than in many other parts of the country and particularly in poor neighborhoods. We did a comparison 2 years ago of food prices in the Bronx using several similar stores comparing low income neighborhood stores with middle income neighborhood stores. We used the same food items and we found conclusive evidence that the poor indeed pay more for food. A few examples of this are: In the middle income stores a half-gallon of milk was $1. In the low-income stores that same half-gallon of milk was $1.21—a 21-percent difference. Frozen concentrated orange juice, a 6-ounce can was 59 cents in the middle-income store, and 74 cents in the low-income store—a 25-percent difference.

I've attached a summary of that study to my testimony, and I hope the committee will get a chance to read it. Last year's allotment of food stamps for a family of four, as was mentioned earlier, was $58 a week. We did ask someone to purchase the foods under the Thrifty Food Plan, which is USDA's menu on which the food stamp allotments are based. The person who did this lives in a low-income area of Brooklyn. She shopped in two supermarkets that were accessible to her, she bought the cheapest products she could, she used generic brands wherever possible, and she bought the list that is supposed to cost $58 according to Government.

And as you heard earlier, it cost her $79.73 for those very foods, and I am also going to give the committee a copy of USDA's menu, it is called, Making Food Dollars Count. It is their Thrifty Food Plan. They have menus for 2 weeks, they give you the list of foods to buy, and they claim that on this menu you can live on the food stamp allotment. I dare anybody to do it, we've tried. It does not work. It is also an impossible menu—one example only, they ask you to buy 2.87 pounds of turkey drumstick. That 2.87 pounds of turkey drumstick will make 12 meals. It is supposed to serve a family of four for 3 different meals. That 2.87 pounds also includes skin and bones. The recipes for those meals are in here.

New York City's Department of Consumer Affairs says that it takes over $117 a week now for a family of four to eat in New York City. They are not talking about the rich folks either, just normal meals. So, how can food stamp families make it on $58 a week or even $60—who is kidding whom?

I promised I would address another issue entirely, very briefly, but one that does concern all consumers, including the poor. And that is our sugar price support policy. The average family of four spends about $75 more per year for food just because of the sugar price support system. Our complicated system of quotas and loan rates raises the market place price of sugar and sugared products, which means just about all processed food products.

I urge that we begin to address the needs of the consumers when we talk about farm policy, and that there is no better place to start than with the sugar price support policy. I thank you very much for this opportunity to address the committee. I will be happy to provide additional information or answer questions.

[The prepared statement of Ms. Molnar appears at the conclusion of the hearing.]

The **CHAIRMAN**. Thank you very much.

Mr. Bergin.

STATEMENT OF JAMES M. BERGIN, PROJECT DIRECTOR, NEW YORK STATE COMMITTEE AGAINST HUNGER

Mr. **BERGIN**. Good afternoon, Mr. Chairman. My name is Jim Bergin, and I am the project director for the New York State Committee Against Hunger, a project of the Coalition for the Homeless and the New York Urban Coalition.

I want to begin by saying that we have a critical and well-documented hunger problem in New York State despite comments on the part of any other member of the current administration. From one end of the State to the other, hunger and the demand for emergency food assistance are skyrocketing. More people than at any time since the Depression are forced to stand in line at soup kitchens and food pantries simply to be able to feed themselves and their families.

Studies demonstrating this have been conducted from Buffalo and Erie County, in Rochester, in Syracuse, in Albany, in Nassau and Suffolk—two of the most affluent counties in the Nation—and in New York City more than in any other part of the State. This increase has continued in spite of the economic recovery, and shows no sign of abating.

In talking with emergency food providers around the State we have found two themes recurring again and again. I mention them here because they reflect two basic flaws in Federal food assistance programs—flaws which have a devastating impact on hundreds of thousands of people all over our State, and which I believe are at the root of the dramatic rise in food emergencies we are now experiencing.

First, many of the people who are in need of emergency food assistance already receive food stamps, but their benefit levels are simply not adequate. As the month draws to a close, the lines at soup kitchens and food pantries stretch out to double and triple their normal size. Second, it is clear that many people who are so poor that they must demean themselves by begging for food nevertheless do not receive food stamps or public assistance, either because they are not eligible or because they have not applied for assistance.

I'd like to assume that when Congress tightened eligibility requirements and lowered benefit levels a few years ago, it did so in the hope that real savings could be acheived without taking a toll in human misery. If that was the basis for Congress' actions then I must tell you that the experiment is a failure. We are convinced that there is a direct relationship between the tightened food stamp requirements and the growth of bread lines all over our State.

I want to point out a few aspects of the Food Stamp Program that, if modified, would go a long way toward eliminating the rise of food emergencies we are now experiencing. These recommendations fall into two categories: Changes that would make it easier for people to learn about and qualify for food stamps; and changes that would make peoples' benefit levels more adequate.

On the first point: The two greatest barriers to participation in the Food Stamp Program are the lack of outreach efforts and the stringent limitations on resources mandated for access to the program.

We have for several years now had a ban on the use of Federal funds for outreach activities designed to promote participation in the Food Stamp Program. One of the findings of Hunger Watch: New York State was that many of the people in the at-risk populations surveyed for that study had no idea that they might be eligible for food stamps. At a time of major economic change when many people who have never before been poor suddenly find themselves without a job or with reduced income, the lack of outreach efforts hits hardest at the recently unemployed, the recently retired, women who are thrown into poverty by divorce or the death of a spouse, and any people dependent on these new poor.

Eligibility criteria that set strict limitations on resources also hit hardest at the working poor and the newly poor, and they run counter to common sense as well. If we want those people, who, given the opportunity, would be able to support themselves—if we want them not to become dependent on programs like food stamps—or for that matter, soup kitchens—then it does not make sense to force those people to deplete their resources to the point of penury before we will give them assistance.

Even after people qualify for food stamp benefits, there is no guarantee that they will not be forced to resort to emergency feeding centers month after month. There are two major problems I would like to call to your attention in this area: The basic level of benefits under the thrifty food plan, which Agnes has already described so well; and the limitations on deductions from income, particularly the earned income deduction, and the shelter and dependent care deductions.

First, I must reemphasize that the thrifty food plan, the basis for determining food stamp benefits, almost never provides a nutritionally adequate diet. One in eight households are able to feed themselves properly on the thrifty food, and frankly, I don't know how they do it.

Second, the various deductions that apply to a food stamp's household income were intended to take into account those necessary expenditures that cut down on the amount of money a household could spend on food. Especially in high cost areas like New York, these deductions consistently fall short of the cost of necessary expenses they were designed to take into account. And they are not flexible enough to allow for changes in economic circumstances. For people who live at or below the poverty line, these deductions mean the difference between having enough money to cover food, shelter, and clothing costs and having to choose between basic necessities.

The work of Hunger Watch, again, strongly suggests that faced with a choice between paying the rent and putting food on the table, most people skimp on food. That is not a choice that anyone should have to make, but which is forced on more people every month.

In closing, I want to offer a remark made to me by the director of an emergency food program on Manhattan's Upper West Side. He was speaking of what happens to people who come to work at programs like his, and he said,

> A lot of people, especially the volunteers, went into this thinking it was an emergency problem. Now they are finding out it is a chronic problem. It's much bigger than anyone anticipated and people are really not sure they can handle it.

Well, if my friend is right, then I can only wonder what this is doing to the people who stand on line at his program, and thousands of others like it. You have an opportunity this year to help these people, and I hope you will see fit to do so. Thank you.

[The prepared statement of Mr. Bergin appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. We appreciate you being here.

Mr. Hotaling, we will be happy to hear from you at this time.

Mr. HOTALING. First of all, I have a gift for the group. I've brought some apple cider from upstate New York—make sure it keeps cool or else it will be little on the hard and tangy side.

The CHAIRMAN. Thank you very much.

STATEMENT OF PETER HOTALING, FARMER, CLAVERACK, NY

Mr. HOTALING. My name is Peter Hotaling. I farm 220 acres in upstate New York in partnership with my dad. We are a fruit-and-vegetable operation.

Most of our crop goes direct marketing through a roadside stand or down here in the city on Saturday. That is why I am dressed in the farmer's garb today.

Two things really concern me greatly. I would like to see, and I think everybody would like to see, the interest rate stay down. The interest on borrowing funds to finance the operation and everything else are eaten away at what profit we are making in the thing. If we could keep our interest rate down, and I know the Federal Government has been talking about cutting the deficit, and everything else, and we would very much like to see that. But along the same line, we would hope that someplace along the way—and I know this will be addressed later from some of the other group that I am with—we think there are some problems in the Farmers Home Administration that could be straightened out. A bureaucracy where it takes 24 to 36 months before a farmer finds out whether he is going to be given a loan or not. I think that is a little horrendous. You've got farmers sitting on pins and needles wondering how they are going to get money to operate next year and so on.

The other aspect that kind of concerns a lot of us in the fruit and vegetable industry is with use of some of the labor issues. I've toured the west coast, I've toured quite a bit of the east coast, and it would seem that in discussion with growers out there and with growers up and down the east coast here, we are operating under two different rules and regulations.

The west coast kind of gets away with some of the things that the east coast gets their hand slapped on. A couple of illustrations of this is I've heard growers on the west coast say we use a lot of Hispanic people, and the Immigration Department will come in and take them back to where they go and before the Immigration people get back into the United States these people are back working in the fields again. If that happens on the east coast, we never see them again.

The other aspect is that a lot of the fruit in the Hudson Valley is harvested by Jamaicans and they harvest the fruit very well. They work very diligently at it, and pick it bruise free. The Federal Government is responsible for bringing these people over and guaranteeing that they have their green cards. But all of a sudden we have an Immigration man come in, check the green cards, and the grower is out one, or two, or maybe three people who have falsified green cards. And this is the Federal Government that is involved in helping bringing these people over. And the grower has to put the money on the line to bring them over.

I sincerely hope that we keep the program, and that we can get some of the bugs out of the program.

The CHAIRMAN. Thank you very much. Let me just ask you one question, do you bring your produce into a market in New York?

Mr. HOTALING. Yes we bring it—we'd welcome a visit if you have enough time this afternoon. There are more greenmarket people here—we are part of the greenmarket system, or I am part of the greenmarket system here in New York City. We sell at different spots during the year. Today we have one going on at Broadway and 17th Street at Union Square. It is a farmers market where the farmers come in and sell right to the consumer.

The CHAIRMAN. I may not have time today, but I'll be back. Thank you very much, I appreciate it. Now, Mr. Migliorelli, Tony Mannetta, Elizabeth Ryan, and Bill Johnson. I see a lot of goodies, but I don't know how I am going to get them back to Washington on the plane. I guess I'm going to have to eat them here. Why don't we hear from you first, Elizabeth?

STATEMENT OF ELIZABETH RYAN, BREEZY HILL ORCHARD, DUTCHESS COUNTY, NY

Ms. RYAN. OK. My name is Elizabeth Ryan. I am from Breezy Hill Orchard in Dutchess County. We operate a small, 35-acre, very diversified food operation. We also market at the greenmarket, and I am going to probably pick up on several things that Pete Hotaling mentioned.

We'd like to discuss three areas: The area of direct marketing; the area of credit; and the area of pesticide regulation.

Specific to direct marketing, we just want to stress—we market exclusively through the greenmarket. We probably wouldn't exist without it. We need a retail market. We are very lucky, there are many, many growers in New York who do not have strong marketing positions, who produce mostly for wholesale, and who are not protected in any way from the stream of fluctuations in the wholesale market. We feel that direct marketing plays a very important role in helping farmers in that position. We think that we need more competitive funding for a nonprofit organizations such as greenmarket. We think that there is a need for more sites, increased regional outlets, greater analysis on the part of the USDA of what makes a successful retail farmers market, and in general more initiation of market sites.

We also think that there is more room for a great deal of increase in funding of consumer or grower controlled processing facilities, and more on farm processing. In general, we feel that the more control growers have over their product, the greater possibility for income.

We understand that there are several programs in existence right now that New York benefits from. One is the Federal State Market Improvement Program, which provides grants for special innovative marketing programs. We understand that that is currently funded, but is threatened. That is a program that we think is very important, and we hope that that will be protected.

In addition, there is a program I think the commissioner alluded to earlier, a Market Facilities Program, and that is another program currently funded but also threatened, and we think that that's very important. We'd also like to see minimally the establishment of a clearinghouse within USDA for direct marketing. And more publication of reports on the status of direct marketing around the country. There is not enough information available.

Moving onto the credit situation, we feel that Farmers Home conceptually is very important. We support the notion that the

Federal Government should provide low-interest loans to farmers—both farmers who are already operating, and farmers who are starting out. But we feel that Farmers Home needs massive, massive overhaul. I am sure you are hearing this from many people.

The problems as we see it, are a lack of availability of funds within the system, not enough money flowing through the system, very critical lags in funding as Mr. Hotaling mentioned. There is a chronic problem, from what we hear from other growers, of local staff who are very dedicated but poorly informed about the status of funding in the programs. It is not at all uncommon for growers to wait many months to hear decisions about their funding, and then wait many more months before they actually receive the funding.

As you may know, farmers have very few avenues for credit, and Farmers Home is a very important one. In terms of the area of pesticide regulation, we feel that there needs to be increased funding for IPM programs, Federal funding did play a crucial role in getting a number of State IPM programs off the ground. We'd like to see that research continued. We'd like to see some review of EPA conditions for registering chemicals.

The current situation is that in order for private industry to feel that it is viable to register pesticides, they invest a great deal of money and they don't feel they can do that unless they have a very wide market. The result of this is that a number of narrow spectrum controls, which could be extremely useful to growers, are not being marketed.

We suggest that a possible solution to that is some sort of subsidy of some of these control strategies. We also feel that there needs to be more funded research for commerically viable, ecologically sound control strategies. Thank you.

The CHAIRMAN. Thank you very much.

Mr. Migliorelli.

STATEMENT OF KENNETH MIGLIORELLI, FARMER, TIVOLI, NY

Mr. MIGLIORELLI. Good afternoon. I live upstate New York about 100 miles north of here. My father and I run a 20-acre vegetable farm. The farm has been in our family since my grandfather, and probably past that also.

When my grandfather started out we had a direct market where he used to peddle from house to house, and that worked fine. There weren't any regulations and things had gone fine. As things went on, as extensions came into the scene where we had to hire more people, we wholesaled, and that didn't work out during the 1950's and 1960's—we just weren't getting the prices that we should get per box, and the expenses that we had—our income wasn't meeting the expenses.

We started greenmarket in 1982, back to retailing again, and our income has probably doubled and tripled from the wholesaling.

Back when my grandfather farmed, he didn't need any kind of management. Since the 1960's and 1970's, I've done some school business and I feel we've become better managers treating farming as a business instead of just farming. I feel I am just getting by the last 5 or 6 years, and I feel I've been a better manager, and I'd like to be doing better than what I am doing—it's hard, and I think part of the problem is pricing.

When our expenses go up every year, I can't raise my income like I'd like to. Like I need some other object like a glass or something, if sand should go up or something and you have to produce it, you would raise your income by raising the price. I can't do that. I know there is no answer for this, but it hurts. I could see where farming will become corporate farms, and if that should happen, I feel sorry because then it is going to create a monopoly and they're going to be saying whatever price they like where we'd have to pay.

And as far as like Beth said about FmHA, it's true—to try to get loans to help us out, it is ridiculous. They just pull your leg all the time. And I just hate to see farming become all corporates, but I see it that way.

The CHAIRMAN. Well, we hope not—thank you.

Tony Mannetta.

STATEMENT OF TONY MANNETTA, MARKET MANAGER, GREENMARKET FARMERS MARKET PROGRAM

Mr. MANNETTA. My name is Tony Mannetta. I am a market manager for Greenmarket Farmers Market Program.

Greenmarket is a program of the council in the environment of New York City. It is a private, nonprofit organization in the office of the mayor. We are currently operating 20 farmers markets in and around New York City. Last year we had over 120 regional farmers at our markets generating sales in the neighborhood of $5 to $6 million.

Farm sizes ranged from 600 acres to about a half-acre. I am here today to ask you to bring a message back to your committee, and that is that farming in the Northeast is an essential part of this region's economic vitality and social fabric, and to ask for your committee's support in keeping farms in this region producing food for the people of this region.

Elizabeth and Ken both hit on several major topics, one of them being direct marketing. In the Northeast, direct marketing is one of the lifebloods of farmers. Basically because our farms are very diversified as opposed to western farms where there is a tremendous amount of monoculturing. Elizabeth mentioned the establishment of competitive grants to private, nonprofit agencies for the creation of the development of direct marketing projects such as retail farmers markets and wholesale markets. I feel this is very, very important.

Also continued funding for the Federal/State market improvement program, which is funding innovative marketing techniques, and the market facilities group, which aids in market facilities physical development.

In terms of loans—I've heard this over and over from just about every farmer I've talked to, and that's FmHA has a very big problem in getting loans through on time. The lag is anywhere from 2 months to 2 years, and this can be from anything from trying to buy a farm to getting production credit loans just to run your farm.

One of the things that we feel might be possible to establish is a guaranteed emergency loan fund that will help solvent farmers through cash flow crises while they are waiting for other loans to come through.

The only other thing that I wanted to say is in terms of farm water supply, that the Federal Government should continue grants programs of small scaled irrigation projects, possibly at the rate of $500 per acre with a maximum of $10,000 per farm.

And really, the only impression I really want to leave with you is that it is very important to the people in this area to receive the food that is grown in this area. It is important not only in terms of freshness and nutrition, but in keeping the farms of this area alive.

The CHAIRMAN. Thank you very much.

Mr. Johnson.

STATEMENT OF BILL JOHNSON, DIRECTOR, JAMAICA FARMERS MARKET

Mr. JOHNSON. Good morning. I would like to thank you for the opportunity to offer the Greater Jamaica Development Corp. the opportunity to testify on the 1985 farm bill. The Greater Jamaica Development Corp. is a private, nonprofit organization working to rebuild Jamaica, Queens. My name is Bill Johnson, and I direct the Jamaica farmers market.

The Jamaica farmers market was opened in 1976 on an urban renewal site in the downtown. It operates Fridays and Saturdays from April through November, and it draws farmers and plant growers from Long Island, upstate New York, New Jersey, Virginia, and Georgia. The Jamaica farmers market is a great success. For the consumer, it offers a wide variety of fresh farm produce at reasonable prices. For the farmers, several of whom have been with us since 1976, it is an opportunity for direct marketing and greater profits. For our community, it is an attractive, vibrant, exciting place with demonstrations, entertainment, and nutritional programs. People come to Jamaica from other boroughs and Nassau County for the market. Prospective developers and potential office workers recognize the farmers market as an important asset when considering locating to Jamaica.

When the farmers market was originally planned, we thought it would be a temporary use of urban renewal land to be replaced by an office building. Indeed, the Federal office building in Jamaica is now being built on our original site. When construction started on the Federal office building, we moved the market to an adjacent urban renewal site. The market has become such an important component in Jamaica's overall economic development program that we are now planning for a permanent facility which will operate year round.

The Jamaica farmers market was the first in New York City. The technical assistance made available to us through "The Farmer to Consumer Direct Marketing Act" has been invaluable over the years. We are looking for additional assistance from the Market Facilities Unit of the Agricultural Marketing Service in creating the permanent facility. It is clear from our experience that Federal support for direct marketing projects is money well spent with benefits to our farmers, consumers, and community residents. We strongly support the Federal programs which provide assistance for farmers market activities and look forward to continued assistance from the Market Facilities Programs. Thank you.

The **Chairman**. Thank you very much.

This will conclude our hearings, and I must say we end on a good note. We have had testimony similar to yours in San Diego and in Los Angeles, and it seems to be working well. We need to do more, and we pledge ourselves to try. We wish you well, and thank you for bringing the gifts. Is there anyone that was on the list who did not testify? If not, thank you all very much, and the committee will stand adjourned.

[Whereupon, at 1:20 p.m., the meeting was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF HON. STEPHEN J. SOLARZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

[illegible] Committee, I want to thank you for giving me the opportunity to testify this morning at your hearing on issues relating to the 1985 farm bill.

Our current system of sugar price supports has injured our country in many ways. The impact on our cane sugar refining industry has been devastating. In the last year alone, four sugar refineries in our country have been forced to shut down.

The most recent casualty of our sugar price supports is the Revere Sugar Corporation, located in the Brooklyn Congressional District I represent. When Revere Sugar closed its doors two months ago, over 400 workers were out of a job and the distressed neighborhood of Red Hook, where the plant is located, had suffered a serious economic loss.

While we are still reeling from the effects of Revere Sugar's closing, we are also fearful for the fate of another sugar refinery within our Congressional District -- the Amstar Corporation in the Williamsburg section of Brooklyn.

If the direct damage from the shutdown of Revere Sugar was substantial, the indirect effects were also great. The closing of Revere Sugar has meant less work for longshore labor in our port, for truckers and allied labor involved in transporting sugar or servicing the industry.

The Port of New York makes a vital contribution to our region's economy. When the federal government takes an action, as it has in the case of the sugar program, that interferes with the free flow of goods into and out of our port, ripple effects are felt throughout our economy. Since our port is heavily dependent upon imports, we are especially hard hit by the highly restrictive quotas in the sugar program.

Mr. Chairman, I realize there is disagreement in Washington about the extent to which government has a responsibility to protect workers and communities across the country from the sometimes brutal economic effects of rapid technological change. But it seems to me that even those who would advocate a laissez-faire policy when the workings of the free market create pockets of high unemployment in our country, cannot logically support a government policy which itself creates substantial job loss by distorting the free market.

Yet that is precisely the situation we face with respect to the sugar program, where massive government intervention, in the form of an arcane system of price supports and quotas, has put a number of sugar refiners out of business and threatened the survival of those that remain.

How do we tell an employee of Revere Sugar, who may have worked for that company for 20 or 25 years, that he has been put out on the street because of a conscious and calculated policy of his own government? How do we tell an employee of the Amstar Corporation that he, may suffer a similar fate?

I am here today, Mr. Chairman, because the sugar program has hurt the people of my district. At the same time, I think we must all recognize that the highly adverse consequences of the sugar program are felt far beyond the boundaries of Brooklyn.

Sugar price supports have driven up the food bill of the American consumer. It is estimated that every one cent increase in sugar price supports costs American consumers about $300 million.

Sugar price supports cause the Treasury to borrow almost $1 billion a year at a time when there is widespread concern over the effects of government and private borrowing on the economy.

Sugar price supports and the quotas they have engendered have hurt many nations friendly to the United States, particularly in Latin America, where sugar is the third leading source of foreign exchange.

Between 1981 and 1984, sugar sales to the United States from 19 Latin American countries dropped in half in dollar terms -- from almost $1.4 billion to just under $700 million. Many of us in the Congress who have opposed certain aspects of the Administration's approach to Latin America have strongly supported the Caribbean Basin Initiative (CBI). But even as the Administration was trumpeting the CBI as an innovative measure to boost Caribbean economies, even as duties on sugar imports from Caribbean nations were being eliminated as part of the CBI, we were carrying out a system of sugar quotas that seriously eroded the export earning potential of these nations.

While the Administration, the Kissinger Commission, and much of the Congress were calling for increased American economic aid to help the people of Central America and serve our own interests, we were building a growing barrier against the third largest export in dollar terms in the region. Because of the quotas we have imposed, some countries in Latin America have suffered a decline in earnings from sugar sales to the United States comparable to or even exceeding the amount of economic aid we provide.

It would be difficult to find a more clearcut and compelling example of the federal government working at cross-purposes with itself and undercutting important foreign policy objectives than the sugar program.

The extremely restrictive quotas we have placed on sugar exporting nations have several highly unfortunate effects.

In the first place, these quotas undermine the process of development and the prospects for democracy. Many of the nations that are affected have a comparative advantage in sugar, but in few other products. Cutting deeply into their level of sugar exports to the United States has very serious consequences for their economies. In the long run, the survival of democracy in Central and South America will be, more than anything else, a function of the ability of democratically elected governments in Latin America to improve the economic status of their people. The sugar quotas run directly counter to our interest in fostering increased export earnings and healthy economic growth in that region.

Secondly, by depriving Latin American nations of a substantial amount of income, our sugar program makes it more difficult for these countries to repay their debts to the United States.

Third, by depressing the economies of these nations, we diminish our own ability to export to them -- a terribly misguided approach at a time when we should be aggressively seeking to increase our exports.

Finally, as the world's largest exporter of agricultural commodities, the United States has an overriding interest in securing agreements that will allow our farm products to enter foreign markets. Yet even as we have worked to get our beef and citrus products into Japan and our soybeans into Europe, we have erected walls against the importation of sugar into the United States. Our sugar quota calls into serious question our commitment to free and fair trade.

American workers, American consumers, America's sugar refining industries, and American interests abroad are all badly damaged by the sugar program, while 12,000 domestic sugar producers reap an extraordinary benefit. Looking at this program, we can paraphrase Winston Churchill and say, "Never before have so few extracted so much from so many".

At a time when other beneficiaries of federal programs are told to share in sacrifices mandated by a $200 billion budget deficit, it is simply not possible to justify the exceptionally high subsidies we award to sugar producers.

Recognizing what the sugar program has already done and may well do in the future to workers in the district I represent, recognizing the effects of this program on American consumers, and on the workers and the governments of nations friendly to the United States, I believe we must make a significant modification in the sugar price support program.

I urge the members of the Agriculture Committee to reduce sugar price supports. I urge the Administration, which repeatedly recites its belief in the principles and practice of free trade and the free market, to join thar effort as well. Let us act together now before we force more sugar refineries to close, force more unnecessary costs on our consumers, and further imperil the economic growth and political stability of countries friendly to the United States.

TESTIMONY OF THE
HONORABLE BENJAMIN A. GILMAN (NY-22)

MR. CHAIRMAN, BEFORE I BEGIN MY FORMAL STATEMENT, I WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK YOU SINCERELY FOR HAVING CHOSEN NEW YORK AS A SITE OF FIELD HEARINGS FOR CONSIDERATION OF THE 1985 FARM BILL. I UNDERSTAND THAT YESTERDAY YOUR COMMITTEE WAS IN SYRACUSE, AND THAT TODAY'S HEARING HERE IN NEW YORK CITY WILL HOPEFULLY ALSO PROVIDE ADDITIONAL VALUABLE INFORMATION IN FORMULATING A COMPREHENSIVE FARM BILL THAT WILL ADDRESS THE NEEDS OF ALL OUR NATIONS FARMERS.

IT IS IMPORTANT THAT THE NORTHEASTERN REGION OF THE UNITED STATES HAVE THE OPPORTUNITY TO PROVIDE INPUT INTO THIS PROCESS, AND IT IS ESPECIALLY GRATIFYING IN LIGHT OF THE ABSENCE OF A MEMBER OF CONGRESS FROM NEW YORK SERVING ON YOUR COMMITTEE. AS YOU WELL KNOW, I HAVE BEEN WORKING ON SEVERAL PARTICULAR AREAS OF INTEREST TO THE AGRICULTURE COMMUNITY IN THE LAST SEVERAL YEARS, AND HAVE ALWAYS APPRECIATED YOUR ATTENTIVENESS AND COUNSEL.

MR. CHAIRMAN, THE EMPIRE STATE IS EXTREMELY PROUD OF ITS DIVERSITY AND VERSATILITY -- NEW YORKERS PRIDE THEMSELVES ON BEING PIONEERS AMONG THE STATES IN HEALTH CARE, EDUCATION, SOCIAL SERVICES AND TECHNOLOGY. WHAT MANY NEW YORKERS WOULD ALSO BE PROUD OF, IF THEY WERE AWARE OF IT, IS THIS STATE'S RANKING IN AGRICULTURAL PRODUCTIVITY, DESPITE GREAT ODDS THAT HAVE EXACERBATED OVER THE YEARS. I AM PRIVILEGED TO REPRESENT A DISTRICT WHOSE DIVERSITY IS LEGEND IN NEW YORK; AT THE EDGE OF NEW YORK CITY IS WHERE MY OWN CONGRESSIONAL DISTRICT BEGINS. JUST NORTH OF US IS WESTCHESTER COUNTY, WHOSE BEAUTIFUL SUBURBS LEAD US ACROSS THE HUDSON RIVER INTO ROCKLAND COUNTY. THIS AREA IS NOTED FOR ITS BEAUTY AS WELL, AND THESE TWO COUNTIES COMPRISE A GREAT PERCENTAGE OF INDIVIDUALS WHO COMMUTE INTO NEW YORK CITY EACH DAY. FARTHER NORTH ARE ORANGE AND

SULLIVAN COUNTIES, BOTH RURAL AND VITAL IN THEIR OWN WAY TO THE HEALTH OF NEW YORK STATE'S ECONOMY. SULLIVAN COUNTY IS NOTED FOR ITS FAMOUS CATSKILL MOUNTAIN RESORTS, WHILE ORANGE COUNTY'S RICH BLACK DIRT IS EXCELLENT FOR GROWING ONIONS AND OTHER VEGETABLES.

AGRICULTURE IS NEW YORK'S BIGGEST INDUSTRY, THOUGH OUR FARMERS COMPRISE ONLY TWO PERCENT OF THE STATE'S POPULATION. NINETY-NINE PERCENT OF THESE FARMERS MANAGE THEIR OWN FAMILY FARM, AND RECENT STATISTICS CITE OVER $3 BILLION IN ANNUAL FARM RECEIPTS. THIS FIGURE CAN BE MISLEADING UNLESS ONE TAKES INTO ACCOUNT THAT NEW YORK NET FARM INCOME IS HALF THAT OF 1981. IN SPITE OF THIS, NEW YORK CONTINUES TO RANK FIFTH NATIONWIDE IN THE VALUE OF VEGETABLES SOLD BETWEEN 1978 AND 1982, AND IN THIS CATEGORY, ORANGE COUNTY IS NEW YORK'S LEADING COUNTY. NEVERTHELESS, ITS RANKING HAS DROPPED FROM 28th DURING THIS PERIOD, TO 32d. IN LETTUCE AND ROMAINE HARVESTED FOR SALE, NEW YORK RANKS SIXTH: AGAIN, ORANGE COUNTY IS NEW YORK'S LEADING COUNTY. ONCE AGAIN, ITS RANKING HAS DROPPED. BUT AN ATTEMPT IS BEING MADE TO PERSEVERE -- IN VEGETABLES HARVESTED FOR SALE NEW YORK RANKS SEVENTH. ORANGE COUNTY IS NEW YORK'S SIXTH RANKING COUNTY IN THIS CATEGORY, AND ITS ACREAGE IN THIS AREA HAS RISEN FROM 11,188 ACRES IN 1978 TO 11,373 ACRES IN 1982. ORANGE COUNTY ROSE FROM 61st PLACE TO 55th.

NATIONALLY, NEW YORK RANKS THIRD IN FRESH CABBAGE AND CAULIFLOWER, FOURTH IN ONIONS AND CELERY, FIFTH IN TOTAL FRESH VEGETABLES, SIXTH IN LETTUCE AND TOTAL PROCESSED VEGETABLES, NINTH IN CARROTS, AND TENTH IN POTATOES. NEW YORK IS TRULY AN AGRICULTURAL STATE, AND IT IS TIME WE ALL ACKNOWLEGED THIS.

THE ABOVEMENTIONED CROPS ARE VITALLY IMPORTANT TO NEW YORK'S ECONOMY.

POTATOES WERE A 72 MILLION DOLLAR CROP IN NEW YORK IN 1983; ONIONS 39 MILLION, AND LETTUCE 12 MILLION. CAULIFLOWER WAS VALUED AT 11 MILLION DOLLARS, WHILE CELERY AND CARROTS FOLLOW WITH 4 MILLION AND 3.7 MILLION RESPECTIVELY.

YET ALL THESE IMPORTANT STATISTICS MUST BE UNDERSTOOD IN CONTEXT. OVER THE YEARS, SEVERAL PROBLEMS HAVE SURFACED THAT HAVE BEGUN TO TAKE THEIR TOLL ON THE NORTHERN TIER STATES IN PARTICULAR. THESE PROBLEMS NEED TO BE ADDRESSED BY THE COMMITTEE, SO I PLAN TO TAKE A FEW MINUTES TO OUTLINE THEM FOR YOU HERE.

IN A YEARLONG EFFORT TO REVIEW THE POLICY ISSUES AFFECTING NEW YORK'S AGRICULTURE STATUS, A COMPREHENSIVE REPORT ENTITLED " NEW YORK AGRICULTURE 2000" WAS PRODUCED. IN IT, SOME VALUABLE INFORMATION HAS COME TO LIGHT WHICH, I BELIEVE, IDENTIFIED SOME OF THE PROBLEMS FACING ORANGE COUNTY IN PARTICULAR. ABOUT HALF THE ONIONS GROWN IN NEW YORK STATE ARE GROWN IN ORANGE COUNTY, IN MUCK SOIL THAT HAS BEEN IDENTIFIED AS THE SECOND LARGEST CONTINUOUS DEPOSIT OF MUCKLAND SOILS IN THE UNITED STATES. MUCK SOIL, IS, AS YOU WELL KNOW, SUBJECT TO WIND EROSION, SUBSIDENCE, AND FLOODING. ONIONS IN PARTICULAR ATTRACT INSECTS AND DISEASE THAT MUST BE APPROPRIATELY TREATED. FURTHERMORE, ONION GROWING IS A VERY RISKY AND COMPETITIVE BUSINESS, WITH THE COSTS TO GROW, HARVEST AND PACK A 50 POUND BAG OF ONIONS GENERALLY EXCEEDING $3500 AN ACRE. THESE COSTS ARE FIXED COSTS, MR. CHAIRMAN, AND THE ONLY WAY TO LESSEN THE COSTS PER BAG ARE WITH HIGHER YIELDS.

NEW YORK ONION PRODUCTION AND PRICES OFTEN FLUCTUATE WIDELY, AND IN 1983 NEW YORK ONIONS CONSTITUTED ONLY ABOUT ONE THIRD OF THE ONION ARRIVALS

AT NEW YORK CITY AND BOSTON MARKETS. THESE ARE THE MAJOR MARKETS FOR NEW YORK ONIONS; HOWEVER, MAJOR SOURCES OF COMPETITION COME FROM OUR NEIGHBORS TO THE NORTH AND SOUTH.

FOREIGN IMPORTS HAVE DEVASTATED MARKETS OF FRESH PRODUCE IN RECENT YEARS. CANADIAN COMPETITION IS ESPECIALLY SEVERE FOR ONIONS, CARROTS, CABBAGE AND LETTUCE. TARIFF BARRIERS IN REAL TERMS, FAVORABLE EXCHANGE RATES, AND PROVINCIAL GOVERNMENT ASSISTANCE TO PRODUCERS ALL ENCOURAGE EXPORTS FROM COUNTRIES SUCH AS CANADA AND MEXICO. CANADIAN EXPORTS INTO THE UNITED STATES FROM 1978-1983 INCREASED 86% FOR ONIONS, 88% FOR CARROTS, 309% FOR POTATOES AND 644% FOR CABBAGE. FROM 1980 TO 1981 ALONE, CANADIAN ONION IMPORTS SKYROCKETED 3356%!

THE UNDERLYING REASON FOR THIS INCREASED PRESSURE IS THE PANOPLY OF PROGRAMMATIC AND TECHNICAL SUPPORT OFFERED BY THE CANADIAN GOVERNMENT TO THEIR DOMESTIC PRODUCERS. THIS INCLUDES, BUT IS NOT LIMITED TO, TRANSPORTATION ASSISTANCE, PRICE SUPPORTS, DEFICIENCY PAYMENTS, STORAGE AID, AND COST SHARING LOANS AND GRANTS. THE NORTHEASTERN REGION HAS BEEN TARGETED BY THE CANADIAN GOVERNMENT AS HAVING THE MOST POTENTIAL FOR THEIR PRODUCTS, AND THEY ARE FOLLOWING THEIR COURSE WITH A VENGEANCE.

AMERICAN PRODUCERS CAN ONLY SHIP AGRICULTURAL COMMODITIES INTO CANADA WHEN THEY HAVE A CONTRACT SPECIFYING THE PRICE AND THE BUYER. ON THE OTHER HAND, THE UNITED STATES ALLOWS CANADIAN PRODUCERS TO BRING THEIR PRODUCT IN ON CONSIGNMENT ONLY. FURTHERMORE, CANADIAN PROVINCIAL GOVERNMENTS HAVE ON HAND A FAST TRACK SURTAX SYSTEM WHICH THEY CAN ACTIVATE ON A DAY'S NOTICE IN ORDER TO COUNTERACT THE INCOMING PRODUCT. IF THEY CHOOSE TO, THEY CAN EVEN TURN BACK AN AMERICAN SHIPMENT AT THE BORDER, WHICH WAS THE

CASE SEVERAL YEARS AGO WITH ONE OF MY CONSTITUENTS. TWO TRUCKLOADS WERE CONTRACTED TO BE BROUGHT INTO CANADA, AND THEY WERE SEVERAL HOURS APART. THE FIRST TRUCKLOAD WAS ALLOWED TO CROSS THE BORDER. THEN, CANADIAN OFFICIALS DECLARED THEIR OWN GROWING SEASON OFFICIALLY OPENED FOR ONIONS, AND THE SECOND, CONTRACTED FOR SHIPMENT, WHICH ARRIVED AT THE BORDER ONLY A FEW HOURS LATER, WAS DENIED ENTRY, DESPITE HAVING HAD A SPECIFIC BUYER. IN THIS WAY, THE CANADIANS FORCE THEIR PEOPLE TO CONSUME THE DOMESTIC PRODUCT, AND THE CANADIAN FARMER IS PROTECTED.

MR. CHAIRMAN, THE VEGETABLE FARMERS OF NEW YORK STATE AND THE NORTHERN TIER REGION ARE IN A PRECARIOUS POSITION INDEED. VEGETABLE FARMERS AS A GROUP RECEIVE NO FEDERAL ASSISTANCE WHATSOEVER, AND ARE AN EXCEEDINGLY INDEPENDENT GROUP OF PEOPLE. THEY HAVE NO MAJOR VOICE REPRESENTING THEIR INTERESTS IN WASHINGTON, AND AS A RESULT, HAVE TURNED TO THEIR INDIVIDUAL MEMBERS OF CONGRESS FOR REDRESS. YOU ARE WELL AWARE HOW ACUTELY UNDER-REPRESENTED THE NORTHEAST IS ON YOUR COMMITTEE. AS HEAVILY AGRICULTURAL AS WE ARE, NEW YORK DOES NOT HAVE A VOICE ON THE AGRICULTURE COMMITTEE. THE BURDEN OF ASSURING NORTHEAST INTERESTS HAVE FALLEN ON THE BROAD SHOULDERS OF OUR COLLEAGUE FROM VERMONT, JIM JEFFORDS. JIM HAS CARRIED OUT THIS DIFFICULT TASK ADMIRABLY OVER THE YEARS, YET UNFORTUNATELY, THE PROBLEMS ARE GROWING TOO BIG AND TOO FAST FOR JUST ONE MEMBER OF CONGRESS TO HANDLE. THIS IS PRECISELY WHY OTHER NORTHEAST MEMBERS HAVE BECOME INVOLVED.

WITH THE ASSISTANCE OF FARMERS FROM OUR REGION, I DEVELOPED LEGISLATION PARALLELING THE CANADIAN SYSTEM I MENTIONED EARLIER. A TEMPORARY, FLOATING, FAST TRACK SURTAX SYSTEM ON CERTAIN AGRICULTURAL COMMODITIES WOULD BE IMPOSED ON IMPORTS THAT ENTER THIS COUNTRY IN LARGE VOLUME AND AT ARTIFICIALLY LOW

PRICES. THIS MEASURE, H.R. 110 IN THIS CONGRESS, H.R. 3193 IN THE 98TH CONGRESS, WOULD ONLY GO INTO EFFECT WHEN SPECIFIC CONDITIONS WERE MET. IT DOES NOT AT ALL PREVENT IMPORTS FROM ENTERING THIS COUNTRY -- WHAT IT DOES DO IS PUT IMPORTED AND DOMESTIC COMMODITIES ON A SOMEWHAT MORE EVEN FOOTING. AS YOU KNOW, MY BILL IS PENDING IN THE WAYS AND MEANS COMMITTEE.

IT WAS FELT THAT THIS LEGISLATION WAS NECESSARY BECAUSE THE DEPARTMENT OF AGRICULTURE HAS NOT BEEN VERY HELPFUL IN EVEN SEEKING WAYS OF ALLEVIATING THE PLIGHT OF THESE VEGETABLE FARMERS. NEW YORK GROWERS WERE FURTHER DISCOURAGED WHEN THE INTERNATIONAL TRADE COMMISSION FOUND AGAINST THE MAINE POTATOE GROWERS AT THE VERY LAST MINUTE. THEY ASK, AND RIGHTLY SO, WHY THEY SHOULD TAKE ADVANTAGE OF A PROCESS THAT WILL NO DOUBT GO AGAINST THEM TOO, AND COST THEM UPWARDS OF $100,000 FOR THE PRIVILEGE?

WE ARE APPEALING TO YOU, MR. CHAIRMAN, FOR ASSISTANCE WITH THIS SERIOUS AND ONGOING PROBLEM. NORTHERN TIER FARMERS HAVE FORMED A COALITION AND ARE DETERMINED TO HAVE THEIR GRIEVANCES ADDRESSED.

IN ADDITION TO INTRODUCING MY OWN LEGISLATION, I HAVE JOINED CONGRESSMAN McKERNAN IN COSPONSORSHIP OF HIS MEASURE, A CONCURRENT RESOLUTION WHICH CALLS FOR IMMEDIATE AND DIRECT NEGOTIATIONS WITH THE CANADIAN GOVERNMENT ON A NUMBER OF DIFFERENT COMMODITIES. HOWEVER, THIS BILL IS ALSO PENDING BEFORE THE WAYS AND MEANS COMMITTEE. WE NEED YOUR EXPERTISE IF WE ARE TO CONCLUSIVELY ADDRESS THE PROBLEM OF EVER GROWING SUBSIDIZED AGRICULTURAL IMPORTS.

JUST A FEW DAYS AGO I ATTENDED A MEETING WITH SECRETARY BLOCK AND CANADIAN MINISTER OF AGRICULTURE JOHN WISE. OTHER MEMBERS OF CONGRESS ATTENDED AS WELL, INCLUDING CONGRESSWOMAN SMITH OF NEBRASKA AND SENATOR COHEN OF MAINE. WE WERE STUNNED TO HEAR THE CANADIANS SAY THAT THEY DO NOT SUBSIDIZE THEIR

FARMERS EITHER DIRECTLY OR INDIRECTLY! UNFORTUNATELY, THIS OUTRIGHT MISREPRESENTATION OF WHAT WE KNOW TO BE THE TRUTH ONLY UNDERSCORES THE NEED FOR LEGISLATIVE ACTION. ALTHOUGH I REALIZE THAT THERE IS NO TRADE TITLE PER SE IN THE 1981 FARM BILL, I BELIEVE THAT 1985 IS A GOOD YEAR TO MAKE PROVISION FOR ONE.

I HAVE ALSO REQUESTED THAT A TASK FORCE ON VEGETABLE COMMODITIES BE CREATED TO PARALLEL THE WORK BEING DONE BY THE NEWLY FORMED TASK FORCE ON POTATOES. HOWEVER, I STRESS THAT ANY AGENDA OUTLINED BY ANY TASK FORCE SHOULD INCLUDE DIRECT DISCUSSION WITH THE CANADIAN GOVERNMENT.

MR. CHAIRMAN, I WOULD ALSO LIKE TO MAKE AVAILABLE TO YOU TODAY SOME STATISTICAL DATA I HAVE COMPILED FROM THE CENSUS BUREAU. THIS INFORMATION HIGHLIGHTS THE DRAMATIC INCREASE IN CANADIAN IMPORTS FROM 1978-1984. IN THESE TABLES ARE DETAILED BOTH THE DOLLAR VALUE AND AMOUNT OF THE PRODUCT INVOLVED, WHICH INCLUDE POTATOES, ONIONS, LETTUCE, CELERY, CARROTS, CABBAGE AND RADISHES ENTERING EACH AMERICAN MARKET FROM CANADA. I URGE YOU TO REVIEW THIS MATERIAL, AND IN CONJUNCTION WITH THE TESTIMONY DELIVERED YESTERDAY AND TODAY, RESPOND TO THE PLEAS OF OUR AMERICAN FARMERS. WE MUST CREATE A CLIMATE IN WHICH THEY CAN COMPETE FREELY AND FAIRLY. AS ONE OF MY FARMERS SO SUCCINCTLY PUT IT, "I CAN COMPETE AGAINST ANOTHER FARMER, BUT I CAN'T COMPETE AGAINST A FOREIGN GOVERNMENT". YOU KNOW THAT I WILL CONTINUE TO DO EVERYTHING IN MY POWER TO SEE TO IT THAT JUSTICE IS DONE IN THIS CASE, AND THAT YOU CAN RELY ON MY ASSISTANCE WHEREVER POSSIBLE. PLEASE KNOW, HOWEVER, THAT YOUR VERY PRESENCE IN OUR STATE TODAY IS A GRATIFYING ACT OF RECOGNITION WE WILL NOT SOON FORGET.

Testimony

FY 1986 Sugar Program Legislation

My name is John M. Brady, and I am appearing on behalf of The Port Authority of New York and New Jersey. My position with the Port Authority is General Manager of the Transportation Management Division of the Port Department. I have held this position for the past five years. My responsibilities include the supervision of three groups — marketing, international economics, and logistics and regulatory affairs, which monitor cargo movements, rates, and regulatory changes and their effects on the Port and its oceanborne commerce.

The Port Authority of New York and New Jersey is a bi-state agency created in 1921 by compact between the States of New York and New Jersey to promote and protect the commerce of the New York/New Jersey Port District. The Port of New York and New Jersey is an important asset to the region's economy. Our most recent estimates show that the Port generates $14.0 billion annually in economic activity. This level of activity is represented by some 191,600 jobs; $4.2 billion in wages and salaries; $2.3 billion in business income; and $0.4 billion in State and City income and sales taxes. These port industry impacts represent a significant contribution to the regional economy, accounting for approximately three percent of the Gross Regional Product and also generating about three percent of regional employment. The reason that I come before you today is to discuss the region's sugar industry—one important part of port-related activity.

The Port of New York and New Jersey, with three refineries in the Port District, is extremely concerned that future restrictions on sugar imports will cause the closing of some refineries and the relocation of others. (Brooklyn's Revere Sugar Corporation has temporarily ceased operations effective March 1985.) These restrictions are expected to reduce U.S sugar imports from 5 million tons in 1981 to less than 2 million tons in the 1985/1986 market year and 1 million tons by the end of the decade. In 1984, about 30 percent of the nation's sugar imports were handled across the docks of the NY-NJ ports and processed by the Port of New York's refineries.

The regional economic impact of the loss of this industry would directly effect:

- o Production Output valued at $600 million
- o An estimate of 1,500+ jobs

The indirect impact on the region would amount to:

- o 1,980 jobs
- o $41 million in personal income
- o a loss of $127 million in regional sales;
- o $23 million in business services;
- o $4 million in regional tax collection;
- o $12 million in federal tax collections.

High sugar prices further aggravate problems associated with the dollar crisis. Foreign imports which compete with items manufactured in the New York/New Jersey region and in the United States have become extremely competitive as a result of the high value of the U.S. dollar. With foreign manufacturers able to buy sugar on the world market at a fraction of the price paid by U.S. industry, product imports that have a high sugar content have become even more competitive. Such imports are competing very successfully with domestically manufactured items and could well result in the loss of jobs in the Port District and elsewhere in the United States. The present sugar program, if continued, will do irreparable damage to the New York/New Jersey region's cane sugar refinery industry, to the Port and to the region's economy.

Since the economies of the nations being assisted by our Caribbean Basin Initiative, as well as nations in Latin America which produce sugar, will be adversely affected by the continued restriction of sugar imports, we can logically expect that these nations will be forced to curtail their own importation of American products. This would further erode exports through the port district and add to the national trade deficit.

Finally a major concern is that New York/New Jersey consumers spend millions of dollars more than necessary for sugar and sugar-containing products. In effect they bear the cost of ruining their own critically important cane sugar refinery industry.

The Port Authority of New York and New Jersey strongly supports the elimination of import quotas on sugar to preserve port commerce, the region's remaining cane sugar refineries, and the economic benefits of those actfvities.

THE ASSEMBLY
STATE OF NEW YORK
ALBANY

Task Force
on
Food, Farm & Nutrition
Policy

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STATEMENT PRESENTED BY HON. RHODA S. JACOBS
42ND ASSEMBLY DISTRICT
U.S. HOUSE COMMITTEE ON AGRICULTURE
MAY 18, 1985

THE NEW YORK STATE ASSEMBLY TASK FORCE ON FOOD, FARM & NUTRITION POLICY IS CONCERNED WITH THE ENTIRE FOOD SYSTEM IN THE STATE OF NEW YORK, FROM PRODUCER TO CONSUMER. OUR PAST LEGISLATIVE ACTIVITIES HAVE RANGED FROM SOIL CONSERVATION ON THE FARM TO FOOD STAMPS IN RESTAURANTS FOR SENIOR CITIZENS. THIS YEAR WE HAVE BEEN ACTIVELY INVOLVED IN TRYING TO REDUCE HUNGER IN NEW YORK STATE, PARTICULARLY AS IT EFFECTS CHILDREN.

DURING THIS PAST BUDGET SEASON, WE WERE SUCCESSFUL IN GETTING A SPECIAL STATE SUPPLEMENT TO THE REDUCED PRICE SCHOOL LUNCH PROGRAM. WE WERE ALSO SUCCESSFUL AT EXPANDING OUR STATE NUTRITION ASSISTANCE PROGRAM WHICH IS TARGETED TOWARD WIC APPLICANTS, SENIOR MEALS ON WHEELS PARTICIPANTS AND THE HUNGRY HOMELESS.

OUR INTEREST IN HUNGER AS A PROBLEM IN NEW YORK STATE DEVELOPED OVER THE PAST FEW YEARS. LAST YEAR WE HELD A SERIES OF PUBLIC HEARINGS ACROSS THE STATE AND LEARNED THAT HUNGER IS A RESULT OF POVERTY. POVERTY IS GROWING IN NEW YORK STATE. THERE IS NOT A SHORTAGE OF FOOD HERE BUT THERE IS AN INABILITY FOR SOME PEOPLE TO BUY FOOD. SMALL CHILDREN AND ELDERLY ARE THE MOST VULNERABLE TO HUNGER AND MALNOURISHMENT.

THE TASK FORCE, WHICH I CHAIR, BELIEVES THAT WE SHOULD HAVE A SINGLE FOOD POLICY AND THAT BY ATTEMPTING TO HAVE SEPARATE AGRICULTURAL AND CONSUMER POLICIES, WE GUARANTEE FAILURE. IN THIS STATE AND COUNTRY RIGHT NOW, WE HAVE PEOPLE WHO ARE GOING HUNGRY AND FARMERS WHO ARE GOING BROKE SIMULTANEOUSLY. THIS IS THE RESULT OF A FAILED AGRICULTURAL POLICY.

OUR NATION NEEDS TO ADDRESS THE PROBLEMS OF FOOD PRODUCTION AS A WHOLE SYSTEM AND NOT JUST INDIVIDUAL PARTS OF PRODUCER, MARKETER AND CONSUMER. SOME SUGGESTIONS THAT I HAVE FOR DIRECTIONS TO TAKE IN THE NEW FARM BILL ARE:

1. WE SHOULD ADOPT AS A NATIONAL POLICY THE ELIMINATION OF HUNGER IN OUR COUNTRY BY THE TURN OF THE CENTURY. THERE IS NO EXCUSE FOR THE MALNOURISHMENT AND SUFFERING THAT MANY OF OUR CITIZENS ARE EXPERIENCING IN THIS LAND OF PLENTY.

UNUSED COMMODITIES SHOULD BE IMMEDIATELY MADE AVAILABLE TO THE HUNGRY PEOPLE IN OUR COMMUNITIES. THE FEDERAL GOVERNMENT SHOULD PAY FOR THE DISPERSMENT OF THESE COMMODITIES. WE SHOULD NOT BE PLAYING GAMES WITH THE HEALTH OF OUR CITIZENS.

FOOD STAMPS MUST BE BROUGHT UP-TO-DATE WITH CURRENT MARKET COSTS. JUST AS I COULD NOT LIVE ON THE BUDGET THAT I HAD SET TEN YEARS AGO, WE CAN'T EXPECT THE PEOPLE RELYING ON FOOD STAMPS TO SURVIVE WITHOUT REASONABLE INFLATIONARY ADJUSTMENTS.

2. WE SHOULD REDUCE OUR DEPENDENCY ON OIL IN THE PRODUCTION OF FOOD. CURRENTLY THE CALORIES SPENT PRODUCING FOOD EXCEEDS THE COLORIC VALUE OF THE FOOD PRODUCED. THAT SHOULD BE REVERSED.

3. WE SHOULD REVIEW AGRICULTURAL RESEARCH THAT IS GEARING US TOWARD INCREASED PRODUCTION. WE CAN'T MARKET WHAT WE ARE PRODUCING NOW. WITH OUR MARKETS GLUTTED, DO WE REALLY NEED COWS THAT ARE CAPABLE OF PRODUCING MORE MILK?

4. WE NEED TO PROTECT OUR FAMILY FARMS. NEW YORK STATE HAS PRIMARILY SMALL FARMS. THOSE FARMERS HAVE SUFFERED UNDER PAST U.S. AGRICULTURAL POLICIES BECAUSE THOSE POLICIES ARE DESIGNED TO BENEFIT THE LARGER PRODUCERS OF THE MID-WEST AND WEST. ONE STEP THAT THE FEDERAL GOVERNMENT COULD TAKE TO HELP THE FAMILY FARMERS IN NEW YORK WOULD BE THE ENCOURAGEMENT OF LOCAL FRESH FRUIT AND VEGETABLE MARKETING. WHENEVER THE FEDERAL GOVERNMENT IS PREPARING TO MAKE A LARGE PURCHASE OF FRUIT, I.E., FOR A MILITARY BASE, THEY SHOULD MAKE AN EFFORT TO ALLOW SMALL LOCAL PRODUCERS TO BID.

A SECOND STEP WOULD BE TO STABILIZE AND MAKE AVAILABLE MORE CREDIT TO FARMERS. TOO MANY OF OUR FARMERS ARE FAILING TO MAINTAIN THEIR PROPERTY AND EQUIPMENT DUE TO MONEY SHORTFALLS.

I APPRECIATE THE OPPROTUNITY TO SPEAK BEFORE THE HOUSE AGRICULTURAL COMMITTEE AND INVITE THEM TO RETURN TO NEW YORK STATE MORE OFTEN.

I HOPE THAT YOU WILL BRING BACK TO THE WHOLE CONGRESS OUR CONCERN THAT THE HUNGRY BE FED AND THE SMALL FARMER BE PROTECTED.

RSJ:JB/p 5/23/85

GOOD MORNING, MY NAME IS DIANE CAVANAUGH AND I AM HERE TODAY

TO PRESENT TESTIMONY ON BEHALF OF ASSEMBLYWOMAN MARY MCPHILLIPS, CHAIRWOMAN OF THE SUBCOMMITTEE ON AGRICULTURAL MARKETING IN NEW YORK STATE. ON BEHALF OF THE ASSEMBLYWOMAN, I WOULD LIKE TO THANK THE COMMITTEE FOR HOLDING THESE HEARINGS TODAY AND FOR THE OPPORTUNITY TO TAKE PART IN THEM. MY DISTRICT LIES APPROXIMATELY 60 MILES NORTH OF N.Y. CITY. UNLIKE OUR NEIGBORING COUNTIES TO THE SOUTH AND EAST OF US WHICH HAVE BECOME BEDROOM COMMUNITIES FOR NYC, ORANGE COUNTY REMAINS AN AREA WHERE FARMING IS A VITAL COMPONENT OF THE LOCAL ECONOMY.

NEW YORK IS AN ECONOMICALLY DIVERSIFIED STATE. TODAY AT THIS HEARING WE ARE GATHERED IN N.Y. CITY, ONE OF THE WORLDS GREATEST FINANCIAL CENTERS. I HOWEVER, SITUATED JUST A SHORT DISTANCE TO THE NORTH ARE GREAT EXPANSES OF FARMLAND AND FOREST, PROVIDING THE RAW MATERIALS WHICH ENABLED OUR STATE'S AGRICULTURE INDUSTRY TO PRODUCE CASH RECEIPTS TOTALLING APPROXIMATELY FOUR BILLION DOLLARS LAST YEAR. THE INDUSTRY EMPLOYS WELL OVER 1.6 MILLION PEOPLE DIRECTLY. YET THE STATUS OF THE NEW YORK STATE AGRICULTURE INDUSTRY HAS BEEN CHALLENGED.

I AM GOING TO ADDRESS THE PROBLEMS WHICH INCREASED LEVELS OF CANADIAN IMPORTS ARE POSING FOR N.Y. FARMERS. SPECIFICALLY, MY

DISCUSSION WILL ADDRESS OUR STATES FRESH PRODUCE INDUSTRY. AS CHAIRWOMAN OF THE ASSEMBLY SUB-COMMITTEE ON AG. MKTG, I HAVE HAD MUCH OPPORTUNITY TO MEET WITH THE FARMERS IN OUR STATE AND DISCUSS WITH THE FARMERS IN OUR STATE AND DISCUSS WITH THEM THE CHANGING ECONOMIC ENVIRONMENT OF OUR AGRICULTURE INDUSTRY FREQUENTLY, I AM TOLD THAT IMPORTS OF CANADIAN PRODUCE ARE SEVERLY DAMAGING OUR OWN FARMERS ACCESSIBILITY TO MARKETS.

CANADA AND NEW YORK HAVE MUCH IN COMMON. GEOGRAPHICALLY, WE SHARE COMMON BORDERS AND CLIMATE. PRODUCTS WHICH ARE GROWN IN N.Y. ARE GENERALLY JUST AS EASILY GROWN IN CANADA. DUE TO SIMILAR SOILS AND CLIMACTIC CONDITIONS. THIS PRODUCES A FIERCE COMPETITION BETWEEN N.Y. AND CANADA FOR A SHARE OF THE CONSUMER MARKETS. YET A CRUCIAL DIFFERENCE IS THAT THE CANADIAN GOVERNMENT AFFORDS ITS FARMERS A GENEROUS PRICE SUPPORT SYSTEM. DUE TO THIS, CANADIAN FARMERS ARE ABLE TO BRING THEIR GOODS OVER N.Y. BORDERS AND SELL THEM AT PRICES BELOW THAT WHICH OUR FARMERS CAN BEAR TO PROVIDE BUYERS WITH. COMMON SENSE DICTATES THAT, GIVEN A CHOICE BETWEEN TWO GOODS OF EQUAL QUALITY, THE LESS EXPENSIVE ONE IS LIKELY TO BE PURCHASED . ILLUSTRATING THIS, ONIONS ARE A MAJOR CROP IN MY DISTRICT AND ALSO IN PARTS OF CANADA. DUE TO CANADIAN SUBSIDIES, ORANGE COUNTY ONION FARMERS ARE SEVERELY AFFECTED BY THESE CANADIAN PRODUCTS. THEY HAVE BEEN PUSHED OUT OF MARKETS WHICH THEY HAVE HAD CONTROL OVER IN THE PAST. ONIONS ARE EASILY STORED AND SHIPPED, REQUIRING LITTLE SPECIAL EFFORT, BUT FARMERS CROPS ARE ROTTING AWAY, UNSOLD.
THIS IS LESS COSTLY FOR THEM THAN TO INVEST THE TIME, EFFORT AND FUNDS NEEDED TO TRANSPORT THEIR GOODS TO MARKET ONLY TO FIND THAT

THE COSTS EXPENDED IN PRODUCTION WILL NOT BE RECOVERED BY SALES. CANADIAN±S ENJOY EASY ENTRY INTO N.Y. MARKETS AS BORDER CONTROLS ARE NOT PARTICULARLY RESTRICTIVE. CANADA, HOWEVER, HAS DEVELOPED AND IMPLEMENTED A SOPHISTICATED FAST TRACK SURTAX MECHANISM. WITH THIS MECHANISM, CANADIANS MAY AT ANY GIVEN TIME DENY ENTRY TO N.Y. FARMERS. ON ANY GIVEN DAY, A U.S. FARMER ATTEMPTING TO ENTER CANADA TO SELL HIS GOODS MAY BE DENIED ENTRY BY CUSTOMS OFFICIALS WHEN CANADA BELIEVES ITS FARMERS ARE BEING HARMED BY IMPORTS, THIS SURTAX IS PUT INTO PLACE.

THE CANADIAN IMPORT PROBLEM IS A REGIONAL ONE AS MAY BE ILLUSTRATED BY THE FOLLOWING. 1981 FIGURES INDICATED THAT CANADIAN EXPORTS TO THE U.S. TOTALLED 136 MILLION, WHILE U.S. EXPORTS TO CANADA WERE TEN TIMES HIGHER, TOTALLING 1.2 BILLION DOLLARS FOR THAT YEAR. THIS CLEARLY INDICATES THAT THE U.S. HAS A POSITIVE BALANCE OF TRADE WITH IT'S CANADIAN NEIGHBORS. HOWEVER FIGURES ON TRADE BETWEEN CANADA AND N.Y. STATE, PAINT A DIFFEREN PICTURE. BETWEEN 1976 AND 1980 THE PERCENTAGE OF AGRICULTURAL PRODUCTS IMPORTED FROM CANADA INTO NEW YORK STATE WERE 55% FOR CELERY, 24% FOR CARROTS, AND 4% FOR BOTH ONION AND POTATOES. YET, CANADA IMPORTED NO NEW YORK GOODS FOR THAT SAME TIME PERIOD.

THE SITUATION IS NOT LIKELY TO IMPROVE FOR THE N.Y. AGRICULTURE INDUSTRY. INFORMATION GATHERED FROM THE ONTARIO MINISTRY OF AGRICULTURE AND FOOD INDICATE THAT IN OCT. 1984 CANADA HAS LAUNCHED ITS EXPORT GROWTH STRATEGY PROGRAM WHICH WOULD ENABLE CANADA TO DOUBLE ITS EXPORT SALES POTENTIAL. THIS PROGRAM WOULD

PROVIDE, AMONG OTHER THINGS, A DETAILED MARKET SURVEY STUDIES, PROVINCE WIDE EXPORT EDUCATION PROGRAMS AND THE DEVELOPMENT OF AN EXPORT DATA BASE. THE PRIMARY TARGET OF THIS AMBITIOUS PROGRAM IS THE UNITED STATES. THE U.S. IS ALREADY CANADAS FASTEST GROWING MARKET. ACCORDING TO THE MINISTER OF AGRICULTURE FOR ONTARIO, P. TIMBRELL, CANADA'S EXPORTS TO U.S. HAVE INCREASED 37% SINCE 1980, MAKING THE U.S. CANADA'S FASTEST GROWING MARKET. NEARLY ONE BILLION DOLLARS OF ONTARIOS YEARLY AGRICULTURAL SALES ARE EXPORTED TO THE UNITED STATES.

THE NEW EXPORT PLAN HOPES TO ACHIEVE A 3 BILLION DOLLAR MARK FOR THE LONG RUN. COMPOUNDING THIS PROBLEM, THE HIGHLY VALUED U.S. DOLLAR HAS CONTRIBUTED TO U.S. PRODUCTS DROP IN COMPETITIVE FOREIGN MARKETS, CANADA AS WELL AS ELSEWHERE. ADVANCED TECHNOLOGY IN STORAGE METHODS AND CROP PRODUCTION IN OTHER COUNTRIES ALONG WITH BETTER MORE EFFICIENT TRANSPORTATION HAVE PUT THE U.S. AT FURTHER DISADVANTAGE.

NEW YORK AS WELL AS THE U.S. NEED TO BECOME COMPETITIVE IN THIS INDUSTRY AGAIN. AGRICULTURAL PRODUCTION AND SALES HAVE LONG BEEN THE FACTORS WHICH HAVE HELPED THE U.S. MAINTAIN ITS POSITIVE BALANCE OF PAYMENTS. OUR INCREASING DEBT IN THIS FORIGN TRADE ACCOUNTING SYSTEM PROVIDES A NOTABLE COMMENT ON THE WORSENING CONDITION OF BOTH OUR STATE'S AND COUNTRY'S NUMBER ONE INDUSTRY : AGRICULTURE.

THERE ARE THINGS WHICH CAN BE DONE TO COMBAT THE IMPORT PROBLEM. CONGRESSMAN BEN GILMAN HAS MADE ATTEMPTS TO ATTEMPTS TO ALLEVIATE THIS BY INTRODUCING A BILL WHICH ESTABLISHES A FAST TRACK SURTAX BASED ON THE CANADIAN MODEL. UNFORTUNATELY, THIS LEGISLATION HAS MET WITH LITTLE SUCCESS. MEMBERS OF THE AGRICULTURE COMMUNITY MAY ALSO SEEK RELIEF FROM IMPORTS BY FILING A FORMAL COMPLAINT WITH THE INTERNATIONAL TRADE COMMISSION. THE STATE OF MAIN HAS UTILIZED THIS OPTION ONLY TO FIND IT PROHIBITIVE IN COST AND TIME. THEY HAVE ALSO MET WITH LITTLE SUCCESS.

STATE GOVERNMENTS CAN DO LITTLE TO MITIGATE THE PROBLEMS OF CANADIAN IMPORTS ON THEIR OWN. WE REQUIRE THE ASSISTANCE OF THE FEDERAL GOVERNMENT. OUR AGRICULTURE INDUSTRY PLAY A PREEMINENT ROLE IN PRESERVING WHAT HAS BECOME A VITAL PART OF THE AMERICAN WAY OF LIFE. OUR RURAL ECONOMIES DEPEND ON THIS INDUSTRY FOR ITS SURVIVAL.

OUR NATIONS ROOTS ARE AGRARIAN AND IT IS OUR RESPONSIBILITY TO ENSURE THAT OUR AGRICULTURAL INDUSTRY WILL ALWAYS REMAIN A DYNAMIC PART OF THIS NATIONS ECONOMY.

STATEMENT
of
CHARLES WILLE

My name is Charles Wille. I own and operate a 300 acre, 75 cow dairy farm in Orange County, New York. Currently I am Vice President of New York Farm Bureau whose membership is comprised of approximately 22,600 farm family members. I would like to thank the House Agriculture Committee for the opportunity to comment on the 1985 Farm Bill.

The farm bill issue is important to New York State for many reasons. First, agriculture is New York's largest business. Our 48,000 farms produced an income of $2.9 billion in 1982. More than 400,000 New York jobs are generated from agriculture and agribusiness.

Second, the largest component of New York's agriculture is the dairy industry. We rank third nationwide in total volume of milk produced. Gross receipts from dairy farming, $1.5 billion in 1982, comprised 58% of New York's total farm cash receipts. Even though New York's 17 million citizens consume approximately the same amount of milk and dairy products produced by New York dairy farmers, federal dairy policy has a direct impact upon prices received by dairymen in this state.

Third, the general well being of American agriculture effects us all through increased exports and decreased trade deficits. All of us in agriculture want to see the United States regain the export markets we have lost. A realignment of national farm programs is a major step in the right direction.

As a dairy farmer, I experience the tough economic conditions on a daily basis. Our current problem can be attributed to the following major causes: 1) High interest rates, 2) The strong American dollar, and 3) National agricultural policy.

High interest rates have a significant impact on the cost of doing business. United States agriculture currently requires approximately $80 billion each year for short term credit and has a $120 billion outstanding long term debt. A one percent decline in interest rates would translate to the farm as a 5 percent increase in net farm income.

The strong American dollar has had a significant impact on our ability to compete in world markets. This situation has been a boon to the industrial nations because the dollar has made their product cheaper in the United States. However, our goods are priced artificially high when the American dollar continues to rise against foreign currency. A $37 billion trade deficit in 1984 attests to this fact.

National agricultural policy has worked hand in hand with the strong American dollar in discouraging U.S. exports while simultaneously signaling the farm sector to keep on producing.

Commodity prices for wheat, feed grains and dairy products have been maintained at levels attractive for America's farmers, yet uncompetitve on world markets. We acknowledge that domestic dairy products could never compete on world markets, however, high government support prices have been the primary factor for the tremendous imbalance between supply and demand for dairy products. To make matters worse, these ineffective federal farm programs cost U.S. taxpayers $14 billion in 1984.

The 1985 Farm Bill comes at a time when the U.S. agricultural industry must make some major shifts in policy if it is to remain a viable industry. The fundamental concept of Farm Bureau's Farm Bill (H.R. 1965, S.908) is that supply and demand in the market place rather than government action should ultimately determine price and production levels of farm commodities. Once again U.S. agriculture would be market oriented and market responsive.

The goals contained in Farm Bureau's Farm Bill include the following: 1) Increased net farm income. 2) Provide long term stability to the agriculture industry, and 3) continue to provide a steady supply of excellent quality, low cost food to U.S. consumers.

Increasing net farm income will have a very positive impact on the entire American economy. The ripple effect created by the agriculture industry effects one out of five Americans whose jobs depend on a healthy net farm income. One dollar earned on the farm multiplies itself five times in our economy because of the number of businesses and people dependent upon agriculture.

Farm Bureau's Farm Bill will improve net farm income by realigning commodity programs, making U.S. farm products competitive in the market place. Current farm programs have been very effective in maintaining an artificially high market price, which has severely limited our ability to market our products. As a result, government expenditures for surplus commodities have sky-rocketed and net farm income has declined dramatically. By realigning commodity prices to the market, along with improving the United States' reputation as a dependable supplier through creative export programs, new markets will be established, demand for our commodities will improve, government expenditures will decrease and net farm income will increase.

Providing long term stability to the United States agriculture industry goes hand in hand with improving net farm income. Stability in agriculture means being able to experience a period of years when net farm income remains at a level that offers farmers a fair return on their time and investment.

Granted, factors such as world events, acts of God and the weather have an impact on agriculture's stability. However, an additional uncertainty will exist as long as government maintains its high level of involvement in agriculture. Government's attempts to maintain a reasonable level of farm income have not worked. Scenarios similar to those portrayed in 3 major motion pictures have become more common. Stability will only occur when the market place is allowed to send the proper economic signals of the true supply and demand. Farmers will make business decisions accordingly.

The United States agriculture industry has always provided a steady supply of excellent quality, low cost food to American consumers. This is made possible primarily because of the existence of the free enterprise system.

There has always been a profit incentive to continually adopt new technology that will increase commodity yields and improve efficiencies. However, the primary benefactor of this tremendously productive agricultural industry has been American consumers. New technologies allow farmers to produce at a lower net cost and competition within the industry passes these savings on to consumers. Government farm programs that attempt to control production eliminate the incentives that have made this industry the most efficient in the world. Production controls may be effective in maintaining farm numbers and controlling surpluses, but their long term effects on consumer food prices are very negative.

Farm Bureau recognizes that a reasonable transition period is necessary for American agriculture to adjust to more market orientation. Provisions are included in H.R. 1965/S.908 to allow an orderly transition to take place.

Farm Bureau's Farm Bill is a program where both farmers and consumers benefit. It is a very positive step towards a more market oriented agriculture while maintaining a reasonable safety net under production agriculture during this current period of economic difficulty. An agricultural industry that is competitive in the market place will be inevitably a healthy industry.

New York Farm Bureau encourages your support of this proposed legislation.

Thank you for allowing me to testify.

TESTIMONY OF HORACE SMITH, ASSOCIATE FARM MANAGER, GRATZ & UTTER FARM

We are most appreciative of the fact that the House Committee on Agriculture under the chairmanship of Congressman de la Garza are holding hearings in New York State.

Agriculture is saddled with a foreign trade policy by the present administration that generally permits unlimited access to our domestic markets by foreign products without serious interest or concern as to the extent of subsidies represented in these products. At the same time U.S. products are severely limited as to their access to foreign markets due to tariff and other regulatory restrictions. Agricultural products of the northeastern U.S. are without significant subsidy payments while we struggle to compete with highly subsidized foreign imports that have devastated our domestic market prices during the past several years.

Heavily subsidized imports of farm commodities seriously depressing northeastern U.S. farm prices for the past several years include fresh fruits and vegetables, potatoes, eggs, dairy products, maple syrup, mushrooms, cut flowers and wine. Factors which depress the farm price in one section have a ripple effect that is felt throughout the U.S.A.

The Gratz & Utter farm in Goshen, N.Y. produce about 2,000 acres of onions, lettuce, celery and radishes annually. Most of our highly subsidized imports competition comes into northeastern markets from Canada. We presently have an administration in Washington, D.C. that is seemingly unaware and uncaring about the consequences of such imports to U.S. farms as they continually exert a depressing influence upon our market prices.

Agriculture is the largest industry in the U.S. and in the northeast. It has a ripple effect throughout our economy of seven to eight times the actual cash value of production thru additional agri-business and services that effect the production, distribution and marketing of food. History has shown that a strong efficient agriculture is essential for a successful democracy.

Our greatest economic injury in N.Y. to fresh vegetable and potato producers result from Canadian subsidized produce entering our domestic markets. Statistics demonstrate the rapid increase of these Canadian products, since 1977, in their penetration of our markets. Continued expanded use of our domestic markets is planned for by published Canadian documented policy statements and recent years' history.

The present tariff in effect on these vegetables is essentially ineffective or non-existant. The present remedy procedure for U.S. industry to deal with the situation is archaic, very expensive and ineffective since ultimate petition evaluation will reflect the present administration's policy of "free trade." "Free Trade" appears to translate into a policy whereby foreign imports of highly subsidized products are freely allowed into our markets and readily provide an outlet for a foreign country's surplus production to remove its depressing effect from the foreign country's economy. Such free trade is not reciprocal, however, because foreign countries skillfully utilize regulations as well as tariffs to limit imports that might depress their farm economies.

Some subsidy programs are less obvious than others. Canadian producers can be offered deficiency payments by government when the sale price of produce averages to drop below certain levels. This sort of umbrella-like protection reduces risk of the depressing market price effect of over-production and could encourage over-planting with producers aware that the normal price depressing effects will be minimized by the possibility of deficiency payments. Thus surplus production will find its way into our northeastern markets with resultant depressing farm prices being created.

Our problem of excessive subsidized imports is not a problem due to farms paying exorbitant wage rates since we are largely on minimum wage rate industry. Many of the jobs we create are filled with persons who are without a marketable skill for other types of employment.

Vegetable growers representing areas across the country worked with Congressman Gilman to develop HR-3193 to control the economic injury to producers of specific commodities when import volume showed significant increase and market prices were falling as demonstrated by USDA monitorings. This Bill would utilize a fast-track trigger mechanism. Senator D'Amato introduced a companion Bill in the Senate. These Bills would have provided meaningful protection for U.S. producers of certain agricultural commodities from the threat of economic injury due to increased volume of imports.

We are an industry that, more often than not, find that our federal bureaucracy is in an adversary position in hindering our efforts to survive. This is in stark contrast to the positions of the central governments of Japan, Canada, France, The Netherlands, to name a few, that function more as a partner to their producers.

If our northeastern U.S. agriculture is to survive we must have legislation which will require the administration to effectively limit economic injury that highly subsidized imports can inflict upon U.S. agriculture.

Since northeastern U.S. vegetable and potato producers have less than 10% of the subsidies enjoyed by Canadian farmers it would realistically seem that we must eliminate the import products pricing advantage due to subsidies upon entering our U.S. markets.

Administration opposition to effective action against economic injury, due to imports, takes the position that the strong dollar is responsible and prefers to ignore the major role of extensive subsidies in the imports. Our agricultural attaches in foreign countries have access to the documentation of subsidies offered to the producers.

Our farm bill should include provisions that will require our government to reasonably calculate the value of subsidy represented in an import product and add this amount to the tariff if such is already in place. This will reduce the ability of imported products to sell in our markets at below our cost of production and marketing. The creation of a task force to study Canadian subsidies and restrictive regulations to trade in onions, lettuce, celery and radishes should be a part of the farm bill. This study should concentrate on the season of the year when N.Y. and the northeast area are marketing these commodities.

Horace A. Smith

SIERRA CLUB | ATLANTIC CHAPTER

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My name is ________________ and I represent the 24,000 members of the Atlantic Chapter, which is comprised of Sierra Club members living in New York State. As environmentalists we feel that soil conservation is one of the most critical environmental issues today and we have made soil conservation one of our Chapter's priorities. We appreciate the opportunity of participating in the Agriculture Committee hearings held in New York State.

While the environmental problems of toxic waste and acid rain have received the lion's share of publicity in this state, soil erosion is a much more subtle environmental problem but just as critical. We do not see the deep gullies etched in farm fields which graphically illustrated the problems of the dust bowl in the 30's, but that doesn't mean that soil erosion is not costing us dearly. Erosion costs U.S. farmers at least $625 million/yr. in reduced yields, extra fertilizer and soil conservation measures. Off site damage caused by fertilizer, pesticides, soil sediment run-off amounts to $2 to 6 billion each year.

Soil in addition to being one of our most precious natural resources is one of our major sources of wealth in this country and particularly in this state. The U.S. Department of Agriculture estimates that soil is eroding at more than twice the offical "tolerance rates" on 96 million acres (23%) of the nation's croplands (an area tha size of California). In 1982, New york State lost 9.4 million tons of cropland or the eroding of 665,000 acres.

The long term investment this country has in its soil should not be depleted for short term profit. We, in New York State are proud of our history of protecting the environment over short term economic gain and in the process have reaped larger benefits then they could have anticipated. In 1845, the proponents of Central Park were ridiculed and attacked by real estate developers. Today Central Park is irreplacable. One hundred years ago New York State created the first state park in the nation. The Niagara Reservation in Niagara Falls, New York was formed on totally reclaimed land from factories along the Niagara River. Today, millions visit this ecological wonder and tourist dollars are a significant part of economy in that area. Also, one hundred years ago, New York State created the Adirondack Forest Preserve so that "eleven Adirondack and three Catskill counties be forever kept as wild forest lands."

While the soil conservation measures taken after the creation of the Soil Conservation Service in 1935 were successful in reducing soil erosion, many of the practices that caused the dust bowl in the 30's are again being used. Planting fencerow to fencerow, row crops, bulldozed terraces and trees, abandoned crop rotation and farming marginal land are again the norm. The result has been increased grain production, higher exports, and a temporary rise in farm income. This all-out production policy has resulted in great increases in soil erosion and high soil sediment and pesticide run-off. The crop-export boom was short lived and today farmers are experiencing similar economic problems as during Great Depression.

The Atlantic Chapter of the Sierra Club urges this Committee to include several soil protections that would reduce soil erosion by at least 20% in the provisions of the 1985 Farm Bill. This bill will be of importance to New York State because the incentive is high for farmers to cut down woods to create more fields for corn, wheat and oats and to drain wetlands as well. Costs for soil conservation seldom return a profit in less than 5 to 11 years. Soil conservation is often treated as the person with the leaky roof. When its not raining there's no need to fix the roof and when it is raining it can't be done. When times are good, the farmer works for maximum crop production, and when times are not good farmers cannot afford to use conservation techniques. With the present commodity programs sodbusting of highly erodible lands is subsidized by the U.S. D.A. These programs discourage certain soil-savings crop rotations as well.

The Atlantic Chapter of the Sierra Club supports ending federal support for sodbusting including price supports, loans, and insurance to farmers who cultivate highly erodible land since 1981 and strenghtening the sodbuster penalty by requiring that those who plow highly erodible land should be ineligible for all farm program benefits for their entire operation for five years. It is also necessary that farmers who participate in federal programs and utilize conservation measures not be penalized because of voluntary set asides, in the same vein, those who use federal programs should have to reduce erosion of their soil.

The Atlantic Chapter also supports converting highly erodible croplands for sustainable uses. A 30 million acre conservation reserve should be created to encourage farmers to convert highly erodible croplands for less erodible uses. A 30 million acre conservation reserve would be cheaper than current soil conservation programs. Last year New York State spent one half million dollars on soil conservation.

Wetlands, so critical for the preservation of wildlife, are being eliminated at an alarming rate. Farmers who drain or fill-in wetlands into croplands should be ineligible for participation in all federal farm programs. The government subsidy of filling in wetlands should be stopped. The Office of Technology Assessment estimated that four out of five acres of wetlands lost in the last ten years were destroyed by agricultural production.

Lake Erie and Lake Ontario are the single most important economic resource for the western portion of New york State. Fifteen years after having Lake Erie declared a "dead lake" the state is again enjoying the benefits of a clean Lake

Erie. However, if something is not done to reduce soil erosion which carries phosphorus (which was the main reason for the eutrophication of the lake), the lake will again be threathened. From 1970 to 1980 point source loading of phosphorus declined from 11,900 MT/yr to 4,500 MT/yr mainly as a result of a 4 billion dollar federal investment in wastewater treatment plants. In a six year period in the seventies loading of phosphorus from soil sediment run-off caused by a lack of soil conservation 5,700 MT/yr to 11,900MT/yr was measured.

We applaud the efforts of those here today who are working to include strong soil conservation provisions in the 1985 Farm Bill and we thank Senator D'Amato for helping to arrange these hearings in New York State.

NEIGHBORHOOD
OPEN SPACE
COALITION

Testimony
United States Congress
House Committee on Agriculture
May 16, 1985
International Court of Trade
New York City, NY

Good morning. I am Tom Fox, Executive Director of the New York City Neighborhood Open Space Coalition. The Coalition consists of ninety-three (93) organizations and sixty-four (64) individuals dedicated to community participation in the development and maintenance of New York City's gardens, parks, and other open space resources. I am appearing to express our concern that future United States food and farming policies give sufficient support to issues that are of critical importance to New York City, our local region and every other city in the United States.

Contrary to common belief, city people grow food. They are producers as well as consumers of agricultural products. In New York City alone there are 460 community gardens, tended by over 11,500 people and covering 159 acres of land. There are tens of thousands of backyard gardens in addition to the community gardens. A recent Gallup poll shows that there are 1.5 million households involved in community gardening in America. Another 12 million households said they would garden in community gardens if there was access to land for them to work on near their home.

The Cooperative Extension service has done an exemplary job with the development of an urban gardening program that was recently expanded to include 21 cities in America. The program, begun with a pilot program here in Brooklyn in 1976, has proven to be an important resource for the cities involved. It is providing many low-income communities with quality food, yet nine years after the inception it is still a pilot program. Every year they have to scramble for sufficient funding to keep the program going. We feel this program should be integrated into regular Department of Agriculture budget allocations.

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Another suggestion we would like to make to this Committee is to expand the Urban Gardening Program. Why are there only 21 cities involved? As Vice President of the American Community Gardening Association I am aware of current programs in over 85 cities across the nation. I would like to suggest that the country is now experiencing a food crisis that is sapping the strength of our population, especially the young. In World War I, the Depression, and World War II the Federal government encouraged the development of millions of gardens to provide fresh produce for local populations. In England there are now 51,000 acres of allotment gardens set aside for food production, especially by pensioners who have limited incomes. If England, which is smaller than the state of Texas, can have that many acres in production, you know we are missing a tremendous opportunity to help urban residents grow their own food. There are over 3,000 acres of vacant lots in New York City alone.

Additional support for urban agriculture should include the provision of technical services to more cities. For example, there should be an effort to provide Soil and Water Conservation Destrict designation to more urban areas. New York City contains the only five counties in the entire state that are not receiving the services of the Soil Conservation Service. Although there are successful districts in some cities, such as Chicago, the examples of urban Soil and Water Conservation Districts are few and far between. Over 15% of New York City is parks and gardens. These 35,000 acres need the skills and expertise of the Soil Conservation Service. Over the last three years New York has instituted a large scale land reclamation program which has treated over 500 acres of vacant land in our City. This program could benefit from the resources of the Agricultural Stabilization and Conservation Service.

Urban forestry is a growing field which deserves a lot of Department of Agriculture attention. Trees in the city reduce air and noise pollution, moderate temperatures, buffer changes in humidity, break up wind patterns, absorb storm water and curb erosion. In New York City there are 2.6 million trees. The standing forest has tremendous economic, environmental and social benefits for urban areas. A well maintained and harvested urban forest has the potential for economic benefit as well. In Greenwich Village a full cord of wood costs $325.00.

There are other urban agricultural economic development opportunities that should be investigated. The nursery industry abandoned the city in the 1950's and 60's as land values rose and transportation to the urban fringe was enhanced. An increased investment in urban forestry could stimulate the return of the nursery industry to the cities. Two Coalition members are currently involved in economic development ventures. Organic waste is being recycled on a five acre site in the South Bronx creating Zoo Doo - the product of refined Bronx Zoo animals. GLIE Farms has just finished construction of a $1.2 million 16,000 square foot greenhouse and is marketing fresh herbs and spices to many gourmet restaurants in the New York City area. In Cheyenne, Wyoming they are now constructing a $350,000 community solar greenhouse in a downtown park for horticultural therapy and food production. Land grant colleges should be charged with developing research agendas for the enhancement of urban agricultural production.

Would urban food production be a threat to rural agricultural production? Quite the contrary. It gives people an understanding of and taste for quality fresh produce and in saving their money on some food items provides them with additional expendable income for other agricultural products. It also provides them with a much needed sense of self-sufficiency and self-reliance, as well as an understanding of the work involved in growing food and the need to work together with one another to get the highest possible return in their investment of time and energy.

Nowhere is the interdependence of urban and rural populations evidenced more clearly than in the Greenmarket program here in New York City. Direct marketing is essential to the health of our regional agriculture, our family farms and our urban consumers. By strengthening and expanding direct marketing systems the Federal government will be doing a tremendous service in moving towards regional food self-suffiency. New York State Department of Agriculture and Markets has done an outstanding job in direct marketing, working closely with local organizations such as Greenmarket. The Coalition strongly supports our State's agricultural industry, especially family farms and the constantly expanding organic farm movement. We would like to urge the USDA to join with the State and private groups in a coordinated effort to increase support for our region's agricultural system.

The Northeast is leading the country in positive examples of preserving farmland by purchasing development rights. Massachusetts and Rhode Island have had very successful programs and New Jersey has just passed legislation to protect its dwindling agricultural resource. The Federal government must support and encourage such efforts if we are to protect our country's agricultural resources. One way to do this would be to support pending Federal legislation that would exempt farmers from paying capital gains tax on the sale of development rights to the state. This Committee should also support the liberalization of Conservation Easement legislation to insure the inclusion of farmland/agricultural easements as tax deductible donations.

Organic farming has long been maligned by the United States agribusiness interests. We are now reaping the benefits of the energy intensive agricultural system that has changed the face of farming in America since World War II. Polluted ground water, chemical residues in food products, devastated wildlife, tremendous erosion, and prohibitively expensive monocultural practices are undermining our ability to feed ourselves well, let alone feed a large part of the free world. The Federal government must invest heavily in organic agricultural research and education. It is becoming an issue of national defense. We can no longer continue to poison our groundwater, our wildlife, and our children with fertilizer and pesticide residues. We must begin the transition to a more organic agricultural system - it's a matter of necessity, not choice.

In the last fifteen years there has been a great increase in urban agriculture in this country. Unfortunately, it has been accompanied by an increase in urban poverty. If State, City, and community efforts are supported by the Federal government we have a real opportunity to increase the health of our agriculture industry and our population.

I would like to thank the Committee members for comming to New York City and listening to the concerns of urban residents. We hope that you will seriously consider some of the issues we raised today. The Coalition and its members stand ready to assist you in any way we can in the future. Thank you very much for the opportunity.

(Attachments follow:)

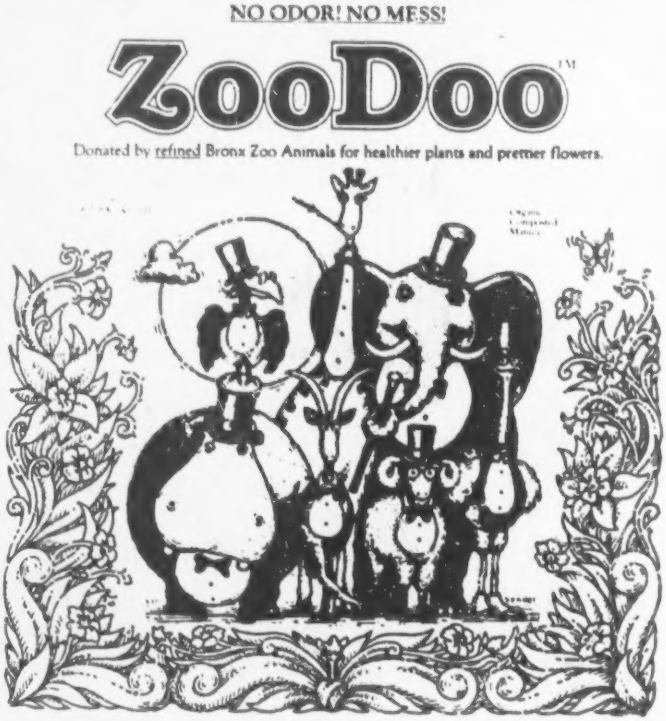
San Francisco Chronicle
THE PLAIN DEALER
FORUM
THE CITIZEN REGISTER
THE MORNING CALL
The Anchorage Times
The El Paso Times
The Sacramento Bee
FINAL

COMMENTARY/OPINION

New York Tribune

NEIL PEIRCE

ZooDoo: community gardening and the value of open spaces


NO ODOR! NO MESS!
ZooDoo™
Donated by refined Bronx Zoo Animals for healthier plants and prettier flowers.

Bloomingdale's is selling it and has scheduled the product for its Christmas catalogue. You can pick it up at assorted nurseries around the Big Apple, at the Brooklyn and New York Botanical Gardens. It comes in 2- and 20-pound bags. What is it?

It's ZooDoo, "a clean, odorless compost" and prime soil conditioner made from recycled manure "donated by refined Bronx Zoo animals for healthier plants and prettier flowers." A spokesman for the Bronx Frontier Development Corporation, ZooDoo's manufacturer and promoter, says, not surprisingly, "The elephants are our greatest contributors."

Bronx Frontier is one of those gutsy grassroots groups that sprang from the rubble and despair of the South Bronx, surviving on government grants in the '70s and now striking out for greater economic independence in the '80s.

For several years, the Bronx Frontier has been operating a program to "green the South Bronx"— to turn dreary acres of open, rubble-strewn land into fields of grass and wild flowers. Working jointly with the city's "Green Thumb" project, 80 acres have been converted — an esthetic precondition to redevelopment.

ZooDoo, processed at a composting ranch beside the East River, may never top 100,000 bags a year. Its raw material supply is, after all, limited. By contrast, there are few limits to the imagination of the horticulturist, park-loving, flower-and-vegetable-growing enthusiasts who have coalesced in the last three years into New York's first Neighborhood Open Space Coalition, (NOSC).

Feisty Fox

"I'm a green politician," says NOSC Tom Fox, a feisty veteran of a Flatbush boyhood and the Vietnam War. Working as a ranger a few years ago at the National Gateway Recreation Area, Fox relates, "I got tired of showing black and Spanish urban kids the pretty park and them sending 'em back to the pits." Fox also became upset with city bureaucrats and real estate interests cavalierly selling off-or building over the pockets of green that ordinary citizens had planted and nurtured to humanize vacant lots across the face of New York.

So with the help of such diverse groups as the Green Guerrillas, the Bronx Frontier, the Horticultural Society of New York, the Trust for Public Land and the Parks Council, Fox has mobilized the NOSC to fight for a greener, more pleasant city, even in the face of big park budget cutbacks.

Open space, they're insisting, has to be seen more broadly than city parks. It's street trees, malls on Broadway, plazas built by big developers. And it's 449 community gardens, parks and play areas, ranging from 2,500 to 60,000 square feet in size, and maintained by 10,800 New Yorkers on a 100 percent volunteer basis. Most areas occupy former brick and rubble lots the city was too broke to cope with.

Reclaim a vacant lot as a vegetable or flower garden, Fox argues, and less people will think of fleeing the neighborhood. Vest-pocket garden-parks provide relaxed places for people to interact with one another. They reduce the stress of city life. Children who believe vegetables grow in supermarkets get to see the origins and diversity of food. Plants and trees reduce glare, noise and air pollution buffer temperature and humidity changes. The value of adjacent property rises; self-grown vegetables enhance residents' standard of living.

Hattie Carthan, at 82, is president of the Magnolia Tree Earth Center in Brooklyn's Bedford-Stuyvesant. Her involvement began with an effort to save a single tree in her block. "We saved a rare magnolia tree and now there are hundreds of new trees, a community garden, and a renewed sense of dignity in Bedford-Stuyvesant," she says.

Gardens for high-rises

Yet many community gardens and parks that helped anchor neighborhoods and stimulate revitalization, especially in Manhattan, are now victims of their own success. They are being bulldozed to make way for luxury high-rise condominium projects. The NOSC is helping local gardeners muscle large developers into providing garden sites — in one case on a 7 000-square-foot garage roof, with three feet of topsoil and an irrigation and drainage system. In return, the garden groups won't fight zoning and building permits.

Mayor Edward Koch has even agreed to a 12-member public-private task force to take an across-the-board look at the city's policies toward open spaces.

Yet it's the entrepreneurial spirit in these efforts that arrests one's attention. Take fresh herbs, like tarragon. The finest New York restaurants have them flown in from California or France, one to two days old. But picked in New York proper, they could be as fresh as three hours old. So the South Bronx's G.L.I.E. Farm has just received a $1.2 million commitment from the Port Authority of New York and New Jersey to build a greenhouse for herbs and spices in South Bronx's Bathgate industrial area. Several dozen jobs will be created.

The real stuff

Fresh produce for everyman are provided by the city's "green markets," now operating from Memorial Day into fall at 20 locations about New York. Last year the green markets sold over $4.3 million in produce, all directly from farmers or fishermen who operate within a 50-mile radius of the city. The farmer gets a better price than wholesalers offer, the consumer a lower price.

Fox is trying to link all these efforts, to make green thumbery, regional agriculture and open spaces accepted values. He's persuaded Apple Computer to donate computers to link several affiliated New York organizations so that the community gardeners, the friends of the parks, the citizen street-tree pruners and environmental educators can be informed of, and reinforce, each other's activities.

Is all this a peculiarly New York phenomenon? By no means. The American Community Gardening Association has affiliates in 70 cities, from Boston to Austin, Chicago to San Francisco, Washington, D.C., to Manhattan, Kansas. With a network like that, it will be a surprise if versions of ZooDoo don't become commonplace nationally in short order. Providing, of course, there are enough elephants in the local zoos.

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Neil Pierce is a syndicated columnist who writes on states and cities. He is founder and contributing editor of National Magazine.

The Neighborhood Open Space Coalition

Started in 1980, this nonprofit coalition consists of eighty organizations and fifty-three individuals dedicated to fostering community participation in the planning, design, development, management and maintenance of New York City's gardens/parks and other open spaces.

The greening of vacant lots has been instrumental in stabilizing and revitalizing many New York City neighborhoods, and provides their residents with low-cost fresh produce, a place for children to play, and the chance to form new friendships in a relaxing environment.

New York's community gardens, City parks, street trees, public plazas, and malls constitute an important resource for the City. Plants and trees reduce glare, noise and air pollution, and buffer temperature and humidity changes. These green spaces reduce the stress of City life.

We believe that the involvement of the government, business and the community, is essential if we are to preserve and enhance our City's open space resources.

The Coalition

- Networks information and assists in the coordination of resources among our members to strengthen the development of a community garden/park system, and continues to generate new information for members' benefit.
- Increases public and professional awareness of members' accomplishments.
- Advocates for a constructive change in New York City's planning and policy for open space development and management.
- Pioneers research on the existing and potential open space system and disseminates information to Coalition members and the public.
- Leverages large donations to be shared by member organizations, providing an effective way for major contributors to support a large number of open space efforts.

Our Members

- Have created and maintain 459 community gardens/parks on 157 acres of former brick and trash-filled vacant lots.
- Plant and prune street trees; care for City parks; build window-boxes and rooftop gardens; paint wall murals.
- Provide technical assistance in horticulture, real estate, community organizing, and financial management to thousands of block associations and hundreds of community gardens and "Friends of the Parks" groups.
- Operate over twenty farmers' markets (Greenmarkets) and run such innovative businesses as ZooDoo™ (composted manure from Bronx Zoo animals) and G.L.I.E. Farm (greenhouses producing fresh herbs, spices and cut flowers).
- Offer nutirition and environmental education to school children, their parents and teachers, and the general public through hands-on participatory workshops.
- Have transformed hundreds of acres of rubble into fields of wildflowers, grasses and clovers.

The Coalition's Goals

- Educate the public about the importance of open space, and encourage their participation in its care.
- Support local communities in their efforts to revitalize vacant lots, City parks, and streets in their neighborhoods. There are 2,000 acres of vacant lots remaining in New York City.
- Urge the City to address the needs of our community gardens/parks and other open space resources (playgrounds, public plazas, street trees) in its budget and programs.
- Persevere in the struggle to protect existing community gardens/parks despite increasing real estate values and a shrinking City budget. Over the years, community groups in the Borough of Manhattan alone had to relinquish 5.6 acres of actively used open space.
- Promote creative City planning and the incorporation of functional alternatives for unusued vacant land and other open spaces in future development projects.

What We've Achieved

SUMMER YOUTH PROGRAM: Sponsored by Chase Manhattan Bank, it has provided jobs for more than 210 youths. They've worked for twenty-five Coalition member groups in their own neighborhoods, planting trees, building picnic tables, and maintaining community gardens/parks in all five Boroughs.

OPEN SPACE TASK FORCE: The result of a Coalition position paper, this 12-member Task Force is composed of representatives from the government, business and the Coalition. It is charged with developing an integrated open space policy for future City planning. This marks the City's first attempt to involve all the parties interested in the development of a viable open space policy which takes into account the plight of the City, resources of the private sector, and local neighborhood needs.

CITYWIDE INSURANCE FOR GARDENS AND PARKS: The Coalition has a group insurance policy which will provide member community garden/park groups with $1 million worth of liability coverage for half the price of a regular policy. The policy is a necessity for providing community volunteers with the protection they need.

INVENTORY OF COMMUNITY GARDENS/PARKS: In 1982, Coaliton field researchers interviewed the coordinators of the 410 greening projects, all of which have sprung up in the past ten years. The spirit and history of New Yorkers' involvement in these urban renewal projects have been captured in *The Struggle for Space* published by the Coalition. The information is updated and stored in a computer database, and serves to illuminate community trends and needs, while providing valuable data for use in open space policy development.

COMPUTER NETWORK: The Coalition, along with three member organizations has received four computers through a grant from the Apple Computer Corp. We have built a telecommunications network containing several databases that can provide vital information for open space advocates in New York and other cities.

PARK AND GARDEN MAINTENANCE MANUAL: We prepared a 91-page illustrated book (under contract to the City) which features a wealth of technical information gathered from Coalition members. This practical "how-to" publication covers such pertinent subjects as fundraising, community organizing, landscaping, equipment maintenance, and the resources available to help carry out projects.

POSITION PAPERS: We present papers on issues deserving immediate attention. We were successful in urging the Mayor to form the Open Space Task Force. Another paper highlighted the benefits of contracting with community organizations for open space development.

TESTIMONY OF AGNES MOLNAR, COMMUNITY FOOD RESOURCE CENTER, INC.

I am **Agnes Molnar**, nutritionist and food advocate, working for a non-profit privately funded organization whose goal is to see that all low-income New York City residents have access to affordable quality food.

Welcome to New York City. We have everything here, and we have more of everything. We have more poor people, more hungry people, more homeless people, and in general, we have more problems than the city government can handle.

We know there is a debate at the Federal level about whether there is hunger in America, and about its magnitude. Anyone who wants to close his eyes and say there is no hunger will do so, no matter what we say or do. We cannot try to convince these people. But you are here today because you want to listen and learn, and I will try to give you a picture of the magnitude of hunger in New York City.

The most recent count of the city's population is 7 million people. According to the Census, the number of people whose income puts them at poverty or below in New York City comes to 1,700,000 - or almost 25% of the total population. Over 600,000 of these are children. Poverty means $10,200 gross annual income or less, for a family of four. In New York City, that's poor indeed. Families must pay their rent and their utility bills. They have no options. So they scrimp on their food budgets. We see these families when they have no food at home, no money and they come to emergency food pantries or soup kitchens for a meal or a few items of food to take home. In New York City, there are 75,000 food packages per month given out to families at food pantries. There are 250,000 meals per month served to individuals - many of them children - at soup kitchens. To keep up this level of service, the emergency food providers, most of which are churches and grass roots community groups, will need well over $20 million this year.

Where does this money come from? In the past, alot of it has come from donations, individual contributions of food and money, volunteer services, foundations, and a very small percent from government funds - about 10% - from Federal, State, and City funds. How long can this continue?

All of these are only numbers. To translate numbers into something more meaningful, just keep your eyes open as you walk, or drive, around this city. Tonight, visit the Grace & Hope Mission at 114 Third Avenue as they feed hungry and homeless individuals. Or drop in at the First Moravian Church at 152 Lexington Avenue, open 7 days a week, because they can never close their doors to the hungry. Then go to Holy Apostle Soup Kitchen on 9th Avenue and 28th Street any week day between 11 a.m. and 1 p.m. as they feed lunch to 700 people per day. Don't forget to stop at the infamous Martinique Hotel, at Broadway and 32nd Street where families, mothers and children, live in deplorable conditions because there is no decent affordable housing in this entire city for them. Go to the 12th floor where a mother and 9 children live in 3 tiny rooms, with 6 mattresses for furniture, where there is no kitchen, no refrigerator allowed, no cooking, not even a table to eat on. This family has lived there for 2 years. The City pays $3500 per month to the owners for space.

1. Well, there is not much you can do for these people. But you can continue to give support to the Temporary Emergency Food Assistance Program that provided $50 million for storage and distribution of government commodities. The 250 emergency food providers in New York City depend on these commodities to help them meet the thousands of requests they get for food each week. They can't do it without support for transportation and storage. Without trucks, vans, and a storage room, commodities cannot get to the people who need them.

Friday's New York Times has a story about the thousands of tons of grain that have rotted in an Ethiopian port because there is no transportation to get the grain to the people, and there is no warehouse to protect it from the rain. That is not a problem unique to Ethiopia. And neither is hunger.

2. The commodities programs under the Agriculture Department are very complicated. But the use of commodities in Federal food programs that get to the poor - in school lunch, in child care food, in summer meals, and in the Commodity Supplemental Food Program - are absolutely vital to these programs and the people they serve.

The Commodity Supplemental Food Program provides monthly packages of specific nutritious foods to low-income pregnant women, infants and children at nutritional and medical risk. It is similar to the WIC program, but instead of vouchers that are redeemable at participating retail stores, CSFP provides the food to these families under the Department of Agriculture's commodities program. New York State has never participated in the CSFP program, and our organization, Community Food Resource Center, was instrumental in working with the State Department of Health to apply to the Federal government to operate the program. Unfortunately, USDA turned us down, on the pretext that there is no money for expansion. That's surprising because the program has $13 million it carried over from unexpended 1984 appropriations, and every year the program has unexpended funds. New York asked for $700,000 for 1985 to begin the program, and requested a full appropriation by 1987 of $7 million to support a caseload of 32,500 individuals each month. We ask your support for our request, and an inquiry into why USDA claims it has no funds.

3. The Food Stamp Program is next on my list. It would take too long to describe all the problems with this program, so I'll only address the issue of how inadequate the food stamp allotments are. In New York City, our food

prices are higher than in many other parts of the country, particularly in poor neighborhoods. We did a comparison 2 years ago of food prices in the Bronx, using several similar stores in low-income and middle income areas. There was conclusive evidence that the poor do indeed pay more for food. A few examples are, ½ gallon of milk in middle income stores, $1.00; in low income, $1.21 (21% difference); frozen concentrate orange juice, 6 oz. was 59¢ in the middle income store and 74¢ in low income. A summary of this study is attached to my testimony.

Last year's allotment of food stamps for a family of four was $58 per week. We asked someone to purchase the food listed for a week under the Thrifty Food Plan (TFP), whihc is USDA's menu on which food stamp allotments are based. Our volunteer lives in a low-income area of Brooklyn. She shopped in two supermarkets that were somewhat accessible to her, she bought the cheapest product - generic brands, etc. where possible. She spent $79.73 for the actual foods on the Thrifty Food Plan - that USDA said should only cost $58.00. I have brought copies of the menus, developed by USDA nutritionists, that contain recipes for many of the foods. I really can't describe these, they have to be seen by you. Let me give you just one example - 2.87 pounds of turkey drumstick is on the list of foods for the first week. This is going to make 12 servings of food - 3 meals for 4 people. That includes skin and bones, by the way.

New York City's Department of Consumer Affairs says that it takes over $117 per week for a family of four to eat in our city - at home. They're not talking about the rich folks either, just normal meals. So how can food stamp families make it on $58 or even $60? Who's kidding whom?

4. I promised I would address another issue entirely - but one that concerns all consumers, including the poor - our sugar price support policy. The average family of four spends about $75 per year more for food just because

of the sugar price support system. Our complicated system of quotas and loan rates raises the marketplace price of sugar and sugared products, which means just about all processed food products. I urge that we begin to address the needs of consumers when we talk about farm policy, and there is no better place to start than with the sugar price support policy.

Thank you for the opportunity to address this committee. I will be happy to answer questions or provide additional information.

(Attachments follow:)

Summary Report--Food Price Survey
Comparison of two Bronx Neighborhoods.

Middle Income area-- Pelham Parkway; approximately 14 square blocks. Several apartment houses. Well kept flourishing neighborhood.

Food stores --4 large supermarkets, 3 within 2 blocks of each other.
--10 meat/fish markets along main shopping street (Lydig Avenue.
--4 small grocery stores, dispersed
--6 fruit and vegetable stands, within relative proximity of each other.

Survey --2 supermarkets
--2 small grocery stores
--1 fruit and vegetable market

The supermarket averaged lower prices on canned goods, cheese, spaghetti, sugar, peanut butter, orange juice (frozen concentrated).

In the 4 stores that carried milk, the supermarkets were higher priced.

For the most part, frozen vegetables and meat were only available in the supermarkets.

Frankfuters, bologna and salami were available in 4 of the 5 stores with widely ranging prices. Shoppers would have to carefully price and compare package sizes and quality to get the best prices item. -----Franks and bologna were lowest priced in one supermarke but salami was cheapest in one small grocery store.

Low Income area--West Farms, approximately 30 blocks. Several vacant lots, abandoned buildings, but clusters of high rise apartments buildings were interspersed, and signs of renovation and re-building were evident.

Food stores --2 supermarkets, several blocks from each other, both on borders of neighborhood.
--12 small groceries, throughout the area
--5 superettes, all several blocks from each other
--1 meat market.

Survey --2 supermarkets
--1 superette
--2 small grocery stores

Almost all food items were cheaper in the 2 supermarkets then the other 3 stores. Canned foods, tuna fish, peanut butter, frozen orange juice, and mayonaise were substantially lower prices in the supermarket, although milk was cheaper.

Comparison between the neighborhoods

The lowest price for each surveyed item was determined in every store in the survey. Than an average of lowest prices in the stores in the middle income neighborhood was compared with the average of the lowest prices in the low-income neighborhood.

Below is a comparison of selected items and the average prices in both neighborhoods:

1) Supermarkets in both neighborhoods had the best prices for most foods surveyed. The supermarkets are located centrally and in the major shopping areas of the middle income neighborhood. By contrast the 2 supermarkets in the low income area are located on streets bordering the neighborhood leaving residents within the area with access to small groceries for the most part. Thus residents must travel great distances or pay higher prices at the smaller stores.

2) Many food items are not available in the small grocery and fruit and vegetable markets. This is not a problem in the middle income neighborhoods where the 4 supermarkets are accessible. In the low income area there was little variety in frozen vegetables, and very limited selection of fresh fruits and vegetables in the 3 small stores surveyed. The 2 supermarkets carried a large variety of fresh fruits and vegetables as well as frozen vegetables however, as indicated, the markets are not accessible to many residents in the neighborhood.

3) The residents in low-income areas pay more for food items most commonly purchased in the average American diet. The increase varies from 8½% to 31% on the items listed below:

FOOD ITEM	AVERAGE PRICES		%INCREASE IN LOWER INCOME AREA
	Middle Income	Low Income	
Tuna fish 7oz can	$1.23	$1.48	20%
Peanut Butter 12 oz	1.36	1.61	18%
Orange Juice 6 oz (frozen concentrate)	.59	.74	25%
Milk 1/2 Gallon	1.00	1.21	21%
Milk-Skim 1 Qt.	.50	.64	28%
Eggs 1 doz large	.99	1.08	9%
Margarine 1 Lb.	.75	.98	31%
Ground Chuck 1 Lb.	1.65	1.90	15%
Beef chuck stew 1 Lb.	1.99	2.29	15%
Chicken whole	.75	.91	21%
Flour 5 Lb bag	1.29	1.40	8½%
Sugar 5 Lb. bag	1.12	1.36	21%

- - - -

Community Food Resource Center, Inc. 17 Murray Street, New York, NY 10007. 1982.

COMMUNITY FOOD RESOURCE CENTER, INC.
17 Murray Street, 4th Floor
New York, New York 10007

Kathy Goldman, Director
212-349-8155

U.S. Department of Agriculture (USDA)

Thrifty Food Plan

List of Foods for Week # 1

USDA Food Stamp Allotment for One Week's Food (Family of 4) = $58.00

Actual Purchase Price of Food, in two Brooklyn Supermarkets = $79.73

Project done in March 1984, by Margaret Burke, intern for Community Food Resource Center, Inc.

ITEMS		Purchase Price
Breads, Cereals & Cereal Products		
Flour, enriched (29 lb.)	3 lbs.	.89
Quick Bread Mix Bisquit	4 oz.	1.49
Cornmeal, Whole ground	8 oz.	.20
Rolled Oats	18 oz.	.89
Farina,enriched (salt free)	14 oz.	.85
Grits, enriched	1¼ lb	.75
Ready-to-eat Cereal		
Whole grain (Total)	12 oz.	1.59
Other (Raisin Bran)	15 oz.	1.69
Macaroni, enriched	1 lb.	.49
Noodles, enriched	10 oz.	.59
Rice, regular enriched	1 lb.	.36
Bread, white enriched	2.22 oz.	.98
Bread, whole wheat	1 lb.	.93
Hot Dog Rolls, enriched	10 oz.	.99
Saltine Crakers	16 oz.	.79
Oatmeal Cookies	9 oz.	.69
Popcorn, unpopped (Jiffy	4.5 oz.)	.69
Meat & Meat Alternates		
Ground Beef Chuck	.7 ~~2.~~5 lb.	2.02
Pork Shoulder Roast	4.80 lb.	3.82
Turkey Drumstick	2.86 lb.	2.22
Pork Sausages	1 lb.	2.19
Eggs Large	Doz.	1.19
Kidney Beans, dry	12 oz.	.58
Navy Beans, dry	1 lb.	.69
Peanut Butter	12 oz.	1.19
Frankfurter		1.29
Fats & Oils		
Margarine	1 lb.	.49
Shortening	1 lb.	1.15
Vegetable Oil	24 oz.	1.29
Salad Dressing, Mayo type	1 pt.	1.19
Sugar and Sweets		
Jelly	18 oz.	.99
Syrup	12 oz.	.89
Other Food		
Coffee Decaffeinated	2 oz.	1.59
Tea	48 bags	.99
Baking Powder	12 oz.	1.19
Worcestershire Sauce	5 fl. oz.	.85
Vinegar	1 pint	.69
Prepared Mustard	9 oz.	.34
Cornstarch	1 lb.	.59

ITEMS		Purchase Price
Other Food		
Cocoa		1.99
Vanilla	2 oz.	1.49
Dry Mustard	1¼ oz.	.95
Cinnamon	1 oz.	.77
Bay Leaves	3/16 oz.	.77
Chili	1½ oz.	.79
Garlic Powder	2 oz.	1.74
Oregano	¼ oz.	.91
Paprika	1½ oz.	1.11
Pepper	1 oz.	.45
Poultry seasoning	1 3/8 oz.	1.63
Salt	26 oz.	.34
Gelatin, Plain	1 oz.	.59
Vegetable and Fruits/Fresh		
Cabbage	1.94 lb.	1.34
Celery	bu.	.79
Green Peppers	1 lb.	.45
Onion	1½ lb.	.49
Potatoes	5 lb.	1.29
Apples	3 lb. bag	.99
Bananas (.29 lb.)	1½ lb.	.40
Oranges	5 X $1.00	1.00
Pears	1 lb.	.59
Canned		
Tomatoes	2 lb.	1.09
Tomatoe Puree	28 oz.	.79
Grapefruit Sections	1 lb.	.59
Peaches, Juice Pack	1 lb.	.99
Frozen		
Corn	1½ lb.	.79
Mixed Vegetables	10 oz.	.51
Green Beans	10 oz.	.47
Spinach Leaf	10 oz.	.30
Peas & Carrots	10 oz.	.53
Orange Juice Concentrate	12 oz.	1.08
Lemonade Concentrate	6 oz.	.25
Dried		
Raisins	15 oz.	1.29
Milk and Cheese		
Milk	1 Gal.	2.12
Non Fat Dry Milk	2 lb.	3.49
Cheese American Process	12 oz.	1.49
Cheese, Cottage lowfat	1 lb.	.79
	TOTAL	$79.73

(The U.S. Department of Agriculture publication "Making Food Dollars Count" is held in the committee files.)

TESTIMONY OF JAMES M. BERGIN, PROJECT DIRECTOR, NEW YORK STATE COMMITTEE AGAINST HUNGER

Mr. Chairman, my name is James Bergin. I am the project director for the New York State Committee Against Hunger, a project of the Coalition for the Homeless and the New York Urban Coalition, which holds as its guiding principle that sufficient food is a fundamental right in a civilized society.

I want to begin by saying that we have a critical and well-documented hunger problem in New York State. From one end of the state to the other, hunger and the demand for emergency food assistance are skyrocketing. More people than at any time since the depression are forced to stand in line at soup kitchens and food pantries simply to be able to feed themselves and their families. Studies demonstrating the extent of need have been conducted in Buffalo and Erie County; in Rochester; in Syracuse; in Albany; in Nassau and Suffolk, two of the most affluent counties in the nation; and in New York City, more than any other part of the state. This increase has continued in spite of the economic recovery, and shows no sign of abating.

In talking with emergency food providers around the state, we have found two themes recurring again and again. I mention them here because they reflect two basic flaws in federal food assistance programs -- flaws which have a devastating impact on hundreds of thousands of people all over our state, and which I believe are at the root of the dramatic rise in food emergencies we are now experiencing.

First, many of the people who are in need of emergency food assistance already receive food stamps, but their benefit levels are simply not adequate; as the month draws to a close, the lines at soup kitchens and food pantries stretch out to double and triple their normal size. Second, it is clear that many people who are so poor that they must demean themselves by begging for food nevertheless are not receiving food stamps or public assistance, either because they are not eligible or because they have not applied for assistance.

I'd like to assume that when Congress tightened eligibility requirements and lowered benefit levels a few years ago, it did so in the hope that real savings could be achieved without taking a toll in human misery. If that was the basis for Congress's actions, then I must tell you that the experiment is a failure. We are convinced that there is a direct relationship between the tightened food stamp requirements and the growth of bread lines all over our state.

I want to point out a few aspects of the food stamp program that, if modified, would go a long way toward eliminating the rise of food emergencies we are now experiencing. These recommendations fall into two overall categories: changes that would make it easier for people to learn about and qualify for food stamps; and changes that would make peoples' benefit levels more adequate.

On the first point: the two greatest barriers to participation in the food stamp program are the lack of outreach efforts and the stringent limitations on resources mandated for access to the program.

We have for several years now had a ban on the use of federal funds for outreach activities designed to promote participation in the food stamp program. One of the findings of Hunger Watch: New York State was that many of the people in the at-risk populations surveyed for that study had no idea that they might be eligible for food stamps. Others thought they might be, but did not apply because they were ashamed or beauase they were too intimidated by the process. At a time of major economic change when many people who have never been poor before suddenly find themselves without a job or with reduced income, the lack of outreach efforts hits hardest at the recently unemployed, the recently retired, women who are thrown into poverty by divorce or the death of a spouse, and any people dependent on these new poor.

I note that several members of Congress have proposed changes that would either allow or mandate outreach activities. I urge you to adopt the proposal of Representatives Evans and Alexander, which would make outreach activities mandatory for all segments of the food stamp population.

Eligibility criteria that set strict limitations on resources also hit hardest at the working poor and the newly poor, and they run counter to common sense as well. If we want this program to be able to function as a safety net in times of crisis, if we want those people who, given the opportunity, would be able to support themselves, if we want them not to become dependent on programs like food stamps -- or, for that matter, soup kitchens -- then it does not make sense to force those people to deplete their resources to the point of penury before we will give them assistance.

Several members of congress have suggested raising the limit on assets; I urge you to adopt the proposal of Rep. Roybal, which would not only take effect this year but would allow for a cost of living adjustment on the asset limitation; and also the proposal of Reps.' Evans and Alexander, which would raise the permissible value of a household's automobile. These provisions would have the greatest impact on the working poor, the newly unemployed, and the elderly, and they deserve your support. Rep. Roybal has also proposed a change in food stamp requirements that would bring provisions regarding burial funds into conformity with SSI regulations. Senior citizen advocates report that the strict rules regarding burial funds keep many seniors from participating in the food stamp program. Mr. Roybal's proposal would eliminate that barrier.

Even after people qualify for food stamp benefits, there is no guarantee that they will not be forced to resort to emergency feeding centers, month after month. There are two major problems I would like to call to your attention in this area: the basic level of benefits under the thrifty food plan; and the limitations on deductions from income, particularly the earned income deduction, and the shelter and dependent care deductions.

First, it must be said that the thrifty food plan, the basis for determining food stamp benefits, almost never provides a nutritionally adequate diet. One in eight households are able to feed themselves properly on the thrifty food plan. Even after the President's own Task Force on Hunger found that there was no justification for benefit levels any lower than the thrifty food plan, the Administration and many in Congress are seeking to lower food stamp benefit levels. I strongly urge you to take the opposite tack on this issue.

Representative Leland has called for an increase in benefit levels to 101 per cent of the thrifty food plan. We do not think that this is adequate, but it would help; and I ask that at the very least you support Mr. Leland's proposal. Rep. Panetta has offered a proposal that would make the cost of living increases in the thrifty food plan more reflective of real costs, and this proposal deserves your support as well.

Second, the various deductions that apply to a food stamp household's income were intended to take into account those necessary expenses that cut down on the amount of money a household could spend on food. Especially in high-cost areas like New York, these deductions consistently fall short of the cost of necessary expenses they were designed to take into account, and are not flexible enough to allow for changes in economic circumstances.

The earned income deduction, for example, is currently set at 18 per cent. For a family of four with earnings equal to the poverty line, this deduction is $124 every month -- whereas taxes, social security and transportation to and from work would cost $168 per month, if that household lived in New York City. Even without taking New York State and City taxes into account, the earned income deduction falls short by $14 each month.

Mr. Panetta has recommended an increase in the earned income deduction from 18 to 20 per cent, and I urge you to support this proposal.

Regarding the shelter and dependent care deductions, it must be said that at present, the regulations are neither realistic in light of current conditions nor designed to encourage financial independence in the long term. These deductions should be considered as separate items, and should be set at levels more reflective of current economic conditions.

For many of us, regulations such as these simply appear complex and difficult to understand. For people who live at or below the poverty line, these deductions mean the difference between having enough money to cover food, shelter and clothing costs, and having to choose between basic necessities. The work of Hunger Watch: New York State strongly suggests that faced with a choice between paying the rent and putting food on the table, most people skimp on food. That is not a choice that anyone should have to make -- but which is forced on more people every month.

I would like to add a word about expedited food stamps. At this time, it is the unacknowledged policy of New York City's Human Resources Administration to send people who are in desperate need of food assistance to a nearby soup kitchen. Part of the reason that the demand on the city's emergency food providers is so great -- and they are serving well over 300,000 meals every month -- is that the city is providing them with a steady stream of clients, people who are eligible for food stamps but who have to wait -- five days, a week or more if the mail is slow, and it is -- before they receive food stamps. This is cruel and unnecessary, and it is to a large extent the result of changes in the requirements for timely delivery of expedited benefits.

I do not mean to imply, for that matter, that this problem is limited to New York City. In the words of one upstate Food Bank Director, "Particularly in the rural areas, but in the cities as well, the local Departments of Social Services are probably responsible for about a third of the food emergencies." This will not stop unless and until you, our lawmakers, make it national policy that food stamp offices aggressively fulfill the function they were set up for, namely to feed people who must turn to government for assistance, at the time they need assistance.

In closing, I want to offer a remark made to me by the director of an emergency food program on Manhattan's Upper West Side. He was speaking of what happens to people who come to work at programs like his, and he said "A lot of people, especially the volunteers, went into this thinking it was an emergency problem. Now they're finding out it's a chronic problem. It's much bigger than anyone anticipated, and people are really not sure they can handle it."

If my friend is right, then I can only wonder this is doing to the people on line at his program, and thousands of others like it. You have an opportunity this year to help these people. I hope you will see fit to do so.

The City of New York
DEPARTMENT OF CONSUMER AFFAIRS
80 LAFAYETTE STREET, NEW YORK, NEW YORK 10013
Telephone: 566-5456
Angelo J. Aponte, *Commissioner*

May 29, 1985

Mr. Jerry Duval
House Committee on Agriculture
1301 Longworth Building
Washington, DC 20515

Dear Mr. Duval:

I have enclosed testimony on the sugar program of the 1985 Farm Bill. This testimony is being sent in lieu of an appearance by myself or a member of my staff at the May 18 field hearing on agricultural policy at the International Court of Trade in New York City.

The Department of Consumer Affairs is supporting an incremental reduction of the sugar loan rate and market stabilization price. I believe reducing sugar price supports is necessary to reduce the excessive cost of the current program to consumers, to bring the sugar program into line with other commodity programs, and to work toward the development of a domestic sugar market that more realistically reflects the commodity's value on the world market and in Americans' diet.

Thank you for giving me the opportunity to submit this testimony. I would appreciate hearing your comments on our position and the status of the sugar program as you work toward resolution of the 1985 Farm Bill. Please contact Christopher Ward or Barbara Hummel of my staff if you have any questions concerning this issue.

Very truly yours,

Angelo J. Aponte
Commissioner

AJA:LMW

Enclosure

The City of New York
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Angelo J. Aponte, *Commissioner*

Testimony
Angelo J. Aponte
New York City Department of Consumer Affairs
Before
House Committee on Agriculture
May 18, 1985

Farm Policy

Although consumer organizations have not traditionally been closely involved with the formulation of this country's agricultural policy, the New York City Department of Consumer Affairs would like to take a stand on this year's Farm Bill. The Department is taking an active position to support and oppose certain policies for 1985 with the conviction that consumers--long under-represented on farm issues--should play a part in making the decisions that affect the way food and fiber are produced in this country and throughout the world. I hope that consumer group interest in the 1985 Farm Bill will set a precedent for future involvement in agricultural policy debates.

Consumers, as the ultimate users of agricultural products, have a crucial stake in food production, and their interest extends beyond mere questions of cost and consumption. As citizens concerned about fair government, the economic viability of the various sectors of American industry and agriculture, the conservation of our natural resources, foreign trade and the deficit, consumers should carefully consider the nation's farm legislation because farm policy is linked to all of these issues. In light of these broader concerns and in order to articulate the particular interests of New York City consumers, I will address sugar policy in the 1985 Farm Bill.

First, let me state my unequivocal position on this policy: Consumers are not best-served by the current sugar program. It is too costly and its benefits are not equitable.

I can't think of any consumers for whom sugar costs should not be a concern. The average American eats nearly 120 pounds of added sweeteners every year. This sugar, like other foods, has to be paid for. New York City shoppers, for example, not only spend well over $2.00 for every five pound bag of sugar they purchase in the supermarket, they also pay extra dollars and cents for sugar in an array of other products, ranging from crackers to salad dressing. The federal sugar program, by maintaining an artificially high domestic sugar price, results in even greater consumer expense.

While most agricultural subsidy programs support commodity producers by paying them to take land out of production and to remove excess supplies from the marketplace, or by making up the difference between a guaranteed price per unit of a commodity and the price of that commodity on the open market, the sugar program is designed to guarantee sugar producers a profit by inflating domestic prices. The government provides loans to processors, then guarantees them a price that will enable them to repay the loans by limiting supply through import quotas. Because sugar produced abroad is cheaper than that grown and processed in the United States, the government also imposes duties on imported sugar and sugar-containing products.

This sugar policy directly raises costs for American consumers, who pay the higher domestic price. In 1982, the sugar program added 10¢ per pound to raw sugar prices. It raised wholesale and retail prices, and yielded a total annual consumer cost of $3 billion for this one commodity program. In 1983, the program added 12¢ per pound to raw sugar prices and cost consumers $3.6 billion.

This annual subsidy comprises at least 1 percent of the aggregate yearly food bill for the American public. In 1984, the sugar program cost a New York City family of four nearly $60--an excessive and unjustifiable expense, especially for those families with low or fixed incomes.

The consumer cost of this program is particularly troublesome in light of sugar's questionable nutritive value and the uneven distribution of benefits. When health officials tell us we should consume less sugar, why do we pay inflated prices without protest? When thousands of farmers across America are financially troubled, and when we must reassess budget priorities in the face of a massive deficit, does it make social or economic sense to pay so much for sugar that it is produced on less than 1 percent of the farms in America? By dividing the program's direct cost among producers, we determine the average subsidy per producer is $250,000 per year. Further, many of the benefits of the sugar program are directed to large corporate interests. Eleven sugar beet processors, for example, receive 40 percent of federal subsidy benefits for sugar beets, while the balance is divided among about 10,000 farmers. Finally, consumers should remember sugar policy often protects corporate interests at the expense of open trade with many Latin American producers. By restricting trade in the Carribean, we not only circumscribe the export market for American commodities like wheat and soybeans--thus, further exacerbating the trade deficit, we heighten political tensions in an already volatile arena.

This year, the sugar program should be reformed. In the interest of consumers and more equitable agricultural policy, the Department of Consumer Affairs eschews a renewal of the current program. However, it also opposes the abrupt termination of the program. The Department urges instead an incremental lowering of the loan rate and market stabilization price. This approach would work to make the sugar program more equitable to consumers and bring it into balance with other commodity support programs, while giving producers and processors the time to adjust to a new market.

In closing, I would again like to emphasize consumers' stake in agricultural legislation. I see work on the 1985 Farm Bill as the first endeavor in a joint effort by consumer groups and the agricultural sector to assure fair and affordable agricultural policy in the United States.

GROWER
PACKER
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ONIONS
CARROTS
LETTUCE
CELERY

May 17, 1985

Ms. Glenda Temple
1301 Longworth House
Office Building
Washington, D.C. 20515

Dear Ms. Temple:

Due to the floodings of the years of 1983 to 1984 of the Black Dirt Region of Orange County, the farmers have suffered serious losses. The flooding from the Pochuck and Walkill Rivers has crippled our crops for the past few years.

Seeking aid, we went to several banks to try to borrow money. That turned out to be a waste of time, not only were they not interested in giving us a loan because of no crop insurance; but because of the merging of smaller banks into larger banks they have become so impersonal that they don't even know you by name anymore. Today, everyone is known as a computer number. It is very discouraging.

We also tried to get loans from the Small Business Administration and the Farmers Home Administration. It turns out that SBA would not even consider us for a loan. An FHA loan involves tons of paperwork and a lot of time which is something that farmers do not have to waste. Also, FHA still abides by guidelines that they have written from years ago, these guidelines should be changed to compensate for the increase in the size of the farms and the increase in the cost of fertilizer, seed, chemicals, and equipment. I believe that one of their guidelines was approximately $50,000 for 30-40 acres of land, maybe ten years ago it would suffice but today it just will not do.

One factor that hurts the farmer is the amount of imports coming into the United States from Canada. These imports and the exchange on the dollar are going to make the U.S. farmer obsolete. The Canadian Government subsidizes the canadian farmer in many ways, the American Government does not subsidize the U.S. farmer. The Canadian farmer floods the markets with cheap prices, which we are left to compete with. The Canadian farmer does not even pay an exchange for coming into the United States. If we cannot change trade policies, the U.S. Government should provide their farmers with subsidies also. This way we can compete with the Canadian farmer.

If imports continue at the rapid pace of today, you may find that one day when you walk into a supermarket, there will be no U.S. produce in it, everything will be imports. When the U.S. farmer disappears and the public can only depend on imports, many problems will arise. People may even find themselves waiting on line for food like those in other countries do.

Another factor that hurts the farmer is the lack of cooperation that we get from businesses that supply us with our fertilizers, chemicals, seed, and gas. They rarely grant credit, for fear of never receiving their money. They want cash on delivery. This is virtually impossible for the farmer to do, because we need these supplies in March to plant our crops. We do not receive the money from these crops until late in August or early in September. In the cases where they do grant credit, they charge a service charge. This service charge sometimes amounts up to 20% of the purchase.

Referring back to the Walkill River. if it had been dug properly, we would not be experiencing the problems with flooding that we are today. The development of homes on the higher soils of New Jersey and New York have also been a primary factor in the flooding of the river. The reason being, the blacktop that is used on the driveways, streets, and sidewalks of these developments creates a powerful run-off of water into the Walkill River causing it to flood, which in turn floods and washes out our crops. In one short year, one township had built over 300 new homes and it seems that many more condominiums and homes are still forthcoming. The study of the Army Corp of Engineers fails to show that these homes are causing these flooding problems.

All of these reasons are why we need crop insurance to cover losses in this valley, that represents over 14,000 acres of fertile muckland. Without this insurance the farmer has no chance in the battle against the harsh weather elements such as hail, winstorms, heavy rains, and the flooding from the above mentioned rivers. Also, I would like you to keep in mind, that a farmer receives no pension or retirement benefits from his many years of hard work--the only benefit a farmer really receives is a good crop, and without this insurance a good crop may never materialize again.

Sincerely,

Ted Sobiech

Ted Sobiech
Ted Sobiech Farms

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